



**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

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CLINTON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilmington City School District, Clinton County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, Governmental Accounting Standards Board Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2004, 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.

Management's Discussion and Analysis and Schedule of Revenues, Expenditures and Changes In Fund Balance are not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

March 24, 2004

WILMINGTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The discussion and analysis of Wilmington City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$.74 million. Net assets of governmental activities increased \$.82 million which represents a 11.4% increase from 2002. Net assets of business-type activities decreased \$.08 million or 86% from 2002.
- General revenues accounted for \$21.51 million in revenue or 92.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.68 million or 7.24% of total revenues of \$23.19 million.
- Total assets of governmental activities increased by \$4.6 million as taxes receivable increased by \$4.9 million while cash and other receivables decreased by \$.24 million.
- The District had \$22.37 million in expenses related to governmental activities; \$1.68 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$21.51 million were adequate to provide for these programs.
- As the major fund, the General Fund had \$19.46 million in revenues and \$19.79 million in expenditures. The General Fund's balance increased from \$1.77 to \$1.87 million.

Using this Basic Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003." The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service is reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund is presented in the fund financial statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Assets						
Current and Other Assets	\$19,087,380	\$23,750,649	\$41,439	\$2,952	\$19,128,819	\$23,753,601
Capital Assets	<u>17,863,617</u>	<u>17,804,856</u>	<u>77,157</u>	<u>119,083</u>	<u>17,940,774</u>	<u>17,923,939</u>
Total Assets	<u>36,950,997</u>	<u>41,555,505</u>	<u>118,596</u>	<u>122,035</u>	<u>37,069,593</u>	<u>41,677,540</u>
Liabilities						
Long-Term Liabilities	16,115,000	15,622,851	0	9,386	16,115,000	15,632,237
Other Liabilities	<u>14,194,717</u>	<u>17,959,234</u>	<u>73,230</u>	<u>99,703</u>	<u>14,267,947</u>	<u>18,058,937</u>
Total Liabilities	<u>30,309,717</u>	<u>33,582,085</u>	<u>73,230</u>	<u>109,089</u>	<u>30,382,947</u>	<u>33,691,174</u>
Net Assets						
Invested in Capital						
Assets Net of Debt	2,496,483	2,997,240	77,157	119,083	2,573,640	3,116,323
Restricted	3,041,507	3,651,587	0	0	3,041,507	3,651,587
Unrestricted	<u>1,103,290</u>	<u>1,324,593</u>	<u>(31,791)</u>	<u>(106,137)</u>	<u>1,071,499</u>	<u>1,218,456</u>
Total Net Assets	<u>\$6,641,280</u>	<u>\$7,973,420</u>	<u>\$45,366</u>	<u>\$12,946</u>	<u>\$6,686,646</u>	<u>\$7,986,366</u>

Total assets increased \$4.61 million. Equity in pooled cash and cash equivalents decreased \$.28 million. Taxes receivable increased \$4.9 million. Total liabilities increased \$3.31 million, resulting in a net asset increase of \$.74 million.

The net assets of the District business-type activities decreased by \$.03 million. Since the increase was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenues			
Program Revenues:			
Charges for Services	\$438,335	\$539,732	\$978,067
Operating Grants	1,135,459	234,279	1,369,738
Capital Grants	106,315	0	106,315
General Revenue:			
Property Taxes	12,278,746	0	12,278,746
Grants and Entitlements	8,592,556	0	8,592,556
Other	<u>639,112</u>	<u>0</u>	<u>639,112</u>
Total Revenues	<u>23,190,523</u>	<u>774,011</u>	<u>23,964,534</u>
Program Expenses:			
Instruction	13,753,712	0	13,753,712
Support Services:			
Pupil and Instructional Staff	1,855,589	0	1,855,589
General and School Administrative, Fiscal and Business	2,429,487	0	2,429,487
Operations and Maintenance	2,044,904	0	2,044,904
Pupil Transportation	1,200,389	0	1,200,389
Central	6,639	0	6,639
Extracurricular Activities	432,737	0	432,737
Interest and Fiscal Charges	648,508	0	648,508
Food Service	<u>0</u>	<u>853,719</u>	<u>853,719</u>
Total Expenses	<u>22,371,965</u>	<u>853,719</u>	<u>23,225,684</u>
Change in Net Assets	<u>\$818,558</u>	<u>(\$79,708)</u>	<u>\$738,850</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 90% of the District's revenues for governmental activities.

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

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 53% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 61% of governmental program expenses. Support services expenses were 34% of governmental program expenses. Extracurricular and interest expense was 5%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Instruction	\$13,753,712	\$12,525,108
Support Services:		
Pupil and Instructional Staff	1,855,589	1,552,985
General and School Administrative, Fiscal and Business	2,429,487	2,400,520
Operations and Maintenance	2,044,904	2,042,324
Pupil Transportation	1,200,389	1,143,651
Central	6,639	(6,764)
Extracurricular Activities	432,737	385,524
Interest and Fiscal Charges	<u>648,508</u>	<u>648,508</u>
Total Expenses	<u>\$22,371,965</u>	<u>\$20,691,856</u>

Business-Type Activities

Business-type activities, include the food service operation, the sale of uniform school supplies and custom service supplies. These programs had revenues of \$3.57 million and expenses of \$3.50 million for fiscal year 2003. Business activities receive no support from tax revenues.

The District's Funds

Information about the District's major funds is presented in the fund financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$23,603,769 and expenditures and other financing uses of \$23,588,486. The net change in fund balance for the year was \$15,283, only .3%.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget at times, however none were significant. The District's budgeting systems are designed to tightly control total budgets but provide flexibility for management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$18.72 million, below original budget estimates of \$18.86 million. Of this \$.14 million difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$17.93 million invested in land, buildings and equipment. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

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

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Land and Improvements	\$624,927	\$624,927	\$0	\$0	\$624,927	\$624,927
Buildings and Improvements	17,717,476	17,064,961	0	0	17,717,476	17,064,961
Furniture and Equipment	34,796	114,968	137,515	124,629	172,311	239,597
Total Net Assets	<u>\$18,377,199</u>	<u>\$17,804,856</u>	<u>\$137,515</u>	<u>\$124,629</u>	<u>\$18,514,714</u>	<u>\$17,929,485</u>

The increase in capital assets is due to \$.16 million in acquisitions, offset by the recognition of \$.75 million in depreciation expense. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2003, the District had \$14,807,616 in bonds outstanding, \$1,424,042 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
Bonds Payable:		
Wilmington High School Addition Renovation	\$7,260,000	\$7,515,000
Bond Refunding 2001	7,055,000	8,305,000
Energy Conservation Note	200,000	295,000
Technology Capital Note	<u>292,616</u>	<u>0</u>
	<u>\$14,807,616</u>	<u>\$16,115,000</u>

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

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

The District received little or no increase in state funding for fiscal year 2004. The income tax passed by voters in February 2003 will allow the district to maintain current operations in the current year but as promised to voters, school officials plan to let the 1985 emergency operating levy expire in calendar 2004 and not take a new levy back to the voters. This will mean a loss of \$854,000 in local tax revenue after the collection of the final year in 2005. The Income Tax is expected to be at full potential by fiscal year 05 and will offset the loss of the emergency levy.

The Five Year Forecast projects that the district will be expending more than its receipts in FY 07 and by the next fiscal year would be operating in the negative with cuts to staff and programs.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jessie Wilson, Treasurer at Wilmington City Schools, 341 S. Nelson Avenue, Wilmington, Ohio 45177 or by e-mail at Wilm_tres@mveca.org.

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Wilmington City School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$6,221,452	\$0	\$6,221,452
Restricted Cash and Investments	57,982	0	57,982
Receivables:			
Taxes	17,349,427	0	17,349,427
Accounts	1,882	0	1,882
Intergovernmental	111,806	0	111,806
Internal Balances	8,100	(8,100)	0
Inventory	0	11,052	11,052
Nondepreciable Capital Assets	624,927	0	624,927
Depreciable Capital Assets, Net	17,179,929	119,083	17,299,012
Total Assets	41,555,505	122,035	41,677,540
Liabilities:			
Accounts Payable	474,235	56,754	530,989
Accrued Wages and Benefits	1,980,571	41,166	2,021,737
Accrued Interest Payable	58,378	0	58,378
Claims Payable	26,265	0	26,265
Deferred Revenue	15,419,785	1,783	15,421,568
Long-Term Liabilities:			
Due Within One Year	1,424,042	0	1,424,042
Due In More Than One Year	14,198,809	9,386	14,208,195
Total Liabilities	33,582,085	109,089	33,691,174
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,997,240	119,083	3,116,323
Restricted for:			
Debt Service	2,209,938	0	2,209,938
Capital Projects	705,622	0	705,622
Special Revenue	736,027	0	736,027
Unrestricted	1,324,593	(106,137)	1,218,456
Total Net Assets	\$7,973,420	\$12,946	\$7,986,366

See accompanying notes.

Wilmington City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$10,572,536	\$388,542	\$307,975	\$49,577
Special	2,257,955	0	446,024	0
Vocational	304,692	0	0	0
Other	618,529	0	36,486	0
Support Services:				
Pupil	745,894	0	54,133	0
Instructional Staff	1,109,695	0	248,471	0
General Administration	219,519	0	0	0
School Administration	1,320,172	0	0	0
Fiscal	567,260	0	28,967	0
Business	322,536	0	0	0
Operations and Maintenance	2,044,904	2,580	0	0
Pupil Transportation	1,200,389	0	0	56,738
Central	6,639	0	13,403	0
Extracurricular Activities	432,737	47,213	0	0
Interest and Fiscal Charges	648,508	0	0	0
Total Governmental Activities	22,371,965	438,335	1,135,459	106,315
Business-Type Activities:				
Food Service	853,719	539,732	234,279	0
Total Business-Type Activities	853,719	539,732	234,279	0
Totals	\$23,225,684	\$978,067	\$1,369,738	\$106,315

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

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$9,826,442)	\$0	(\$9,826,442)
(1,811,931)	0	(1,811,931)
(304,692)	0	(304,692)
(582,043)	0	(582,043)
(691,761)	0	(691,761)
(861,224)	0	(861,224)
(219,519)	0	(219,519)
(1,320,172)	0	(1,320,172)
(538,293)	0	(538,293)
(322,536)	0	(322,536)
(2,042,324)	0	(2,042,324)
(1,143,651)	0	(1,143,651)
6,764	0	6,764
(385,524)	0	(385,524)
(648,508)	0	(648,508)
<u>(20,691,856)</u>	<u>0</u>	<u>(20,691,856)</u>
<u>0</u>	<u>(79,708)</u>	<u>(79,708)</u>
<u>0</u>	<u>(79,708)</u>	<u>(79,708)</u>
<u>(\$20,691,856)</u>	<u>(\$79,708)</u>	<u>(\$20,771,564)</u>
10,136,338	0	10,136,338
199,822	0	199,822
1,860,146	0	1,860,146
82,440	0	82,440
8,592,556	0	8,592,556
36,695	0	36,695
104,373	0	104,373
12,088	0	12,088
226,312	0	226,312
259,644	0	259,644
<u>21,510,414</u>	<u>0</u>	<u>21,510,414</u>
818,558	(79,708)	738,850
<u>7,154,862</u>	<u>92,654</u>	<u>7,247,516</u>
<u>\$7,973,420</u>	<u>\$12,946</u>	<u>\$7,986,366</u>

Wilmington City School District
 Balance Sheet
 Governmental Funds
 June 30, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$2,301,876	\$2,063,613	\$1,539,162	\$5,904,651
Restricted Cash and Investments	57,982	0	0	57,982
Receivables:				
Taxes	15,071,266	1,967,281	310,880	17,349,427
Accounts	445	0	1,437	1,882
Intergovernmental	5,863	0	105,943	111,806
Interfund	11,800	0	0	11,800
Total Assets	17,449,232	4,030,894	1,957,422	23,437,548
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	401,027	0	73,208	474,235
Accrued Wages and Benefits	1,777,562	0	119,312	1,896,874
Compensated Absences	40,827	0	0	40,827
Interfund Payable	0	0	3,700	3,700
Deferred Revenue	13,356,852	1,762,578	324,939	15,444,369
Total Liabilities	15,576,268	1,762,578	521,159	17,860,005
Fund Balances:				
Reserved for Encumbrances	125,456	0	109,897	235,353
Reserved for Property Tax Advances	1,246,380	204,703	10,525	1,461,608
Reserved for Set Asides	57,982	0	0	57,982
Unreserved, Undesignated, Reported in:				
General Fund	443,146	0	0	443,146
Special Revenue Funds	0	0	620,744	620,744
Debt Service Funds	0	2,063,613	0	2,063,613
Capital Projects Funds	0	0	695,097	695,097
Total Fund Balances	1,872,964	2,268,316	1,436,263	5,577,543
Total Liabilities and Fund Balances	\$17,449,232	\$4,030,894	\$1,957,422	\$23,437,548

See accompanying notes.

Wilmington City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2003

Total Governmental Fund Balance		\$5,577,543
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,804,856
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		24,584
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		290,536
In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(58,378)
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
	Accrued Wages & Benefits	(83,697)
	Compensated Absences	(774,408)
	Total	(858,105)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(14,807,616)
Net Assets of Governmental Activities		<u>\$7,973,420</u>

See accompanying notes.

Wilmington City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$10,361,596	\$1,860,147	\$283,316	\$12,505,059
Tuition and Fees	361,677	0	0	361,677
Investment Earnings	98,524	0	5,849	104,373
Intergovernmental	8,559,355	158,818	1,143,664	9,861,837
Extracurricular Activities	125	0	73,673	73,798
Other Revenues	75,115	0	180,554	255,669
Total Revenues	19,456,392	2,018,965	1,687,056	23,162,413
Expenditures:				
Current:				
Instruction:				
Regular	9,547,324	0	517,578	10,064,902
Special	1,737,708	0	474,007	2,211,715
Vocational	299,754	0	567	300,321
Other	618,529	0	0	618,529
Support Services:				
Pupil	692,571	0	53,009	745,580
Instructional Staff	851,679	0	255,084	1,106,763
General Administration	254,719	0	0	254,719
School Administration	1,243,532	0	4,910	1,248,442
Fiscal	455,968	35,498	79,947	571,413
Business	322,809	0	0	322,809
Operations and Maintenance	2,123,236	0	3,023	2,126,259
Pupil Transportation	1,180,858	0	946	1,181,804
Central	2,436	0	4,003	6,439
Extracurricular Activities	305,343	0	127,475	432,818
Debt Service:				
Principal Retirement	139,865	1,600,000	0	1,739,865
Interest and Fiscal Charges	17,003	637,065	0	654,068
Total Expenditures	19,793,334	2,272,563	1,520,549	23,586,446
Excess of Revenues Over (Under) Expenditures	(336,942)	(253,598)	166,507	(424,033)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	432,481	0	0	432,481
Proceeds from Sale of Fixed Assets	6,835	0	0	6,835
Transfers In	0	0	2,040	2,040
Transfers (Out)	(2,040)	0	0	(2,040)
Total Other Financing Sources (Uses)	437,276	0	2,040	439,316
Net Change in Fund Balance	100,334	(253,598)	168,547	15,283
Fund Balance Beginning of Year	1,772,630	2,521,914	1,267,716	5,562,260
Fund Balance End of Year	\$1,872,964	\$2,268,316	\$1,436,263	\$5,577,543

See accompanying notes.

Wilmington City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balance - Total Governmental Funds		\$15,283
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(572,343)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		21,275
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,739,865
In the statement of activities, interest is accrued, whereas in governmental funds, an interest expenditure is reported when due.		5,560
Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Accrued Wages & Benefits	15,222
	Compensated Absences	34,968
	Total	50,190
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(8,791)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.		(432,481)
Change in Net Assets of Governmental Activities		<u>\$818,558</u>

See accompanying notes.

Wilmington City School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-Type Activities- Food Service	Governmental Activities- Internal Service Fund
Assets:		
Equity in Pooled Cash and Investments	\$0	\$316,801
Inventory	11,052	0
Total Current Assets	11,052	316,801
Depreciable Capital Assets, Net	119,083	0
Total Assets	130,135	316,801
Liabilities:		
Current Liabilities:		
Accounts Payable	56,754	0
Accrued Wages and Benefits	41,166	0
Claims Payable	0	26,265
Interfund Payable	8,100	0
Deferred Revenue	1,783	0
Total Current Liabilities	107,803	26,265
Long-Term Liabilities:		
Compensated Absences	9,386	0
Total Liabilities	117,189	26,265
Net Assets:		
Invested in Capital Assets, Net of Related Debt	119,083	0
Unrestricted	(106,137)	290,536
Total Net Assets	\$12,946	\$290,536

See accompanying notes.

Wilmington City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities- Food Service	Governmental Activities- Internal Service Fund
Operating Revenues:		
Charges for Services	\$539,732	\$180,526
Total Operating Revenues	539,732	180,526
Operating Expenses:		
Personal Services	347,821	0
Contactual Services	455,244	0
Materials and Supplies	43,672	0
Depreciation	5,362	0
Claims	0	189,317
Other Expenses	1,620	0
Total Operating Expenses	853,719	189,317
Operating Income (Loss)	(313,987)	(8,791)
Non-Operating Revenues (Expenses):		
Donated Commodities	44,279	0
Operating Grants	190,000	0
Total Non-Operating Revenues (Expenses)	234,279	0
Change in Net Assets	(79,708)	(8,791)
Net Assets Beginning of Year	92,654	299,327
Net Assets End of Year	\$12,946	\$290,536

See accompanying notes.

Wilmington City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities- Food Service	Governmental Activities- Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$539,801	\$180,526
Cash Payments to Employees	(360,922)	0
Cash Payments to Suppliers	(410,671)	0
Cash Payments for Claims	0	(186,471)
Other Cash Payments	(1,620)	0
Net Cash Provided (Used) by Operating Activities	<u>(233,412)</u>	<u>(5,945)</u>
Cash Flows from Noncapital Financing Activities:		
Operating Grants Received	190,000	0
Payments from Other Funds	8,100	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>198,100</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,312)	(5,945)
Cash and Cash Equivalents Beginning of Year	<u>35,312</u>	<u>322,746</u>
Cash and Cash Equivalents End of Year	<u>0</u>	<u>316,801</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(313,987)	(8,791)
Adjustments:		
Depreciation	5,362	0
Donated Commodities	44,279	0
Changes in Assets & Liabilities:		
(Increase) Decrease in Receivables	69	0
(Increase) Decrease in Inventory	(4,994)	0
Increase (Decrease) in Payables	56,641	2,846
Increase (Decrease) in Accrued Liabilities	(18,694)	0
Increase (Decrease) in Deferred Revenue	(2,088)	0
Net Cash Provided (Used) by Operating Activities	<u>(\$233,412)</u>	<u>(\$5,945)</u>

Schedule of Noncash Capital Activities:

During the fiscal year, the Food Service Fund
received contributed food commodities valued at \$44,279

See accompanying notes.

Wilmington City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$10	\$48,850
Accounts Receivable	0	78
Total Assets	<u>10</u>	<u>\$48,928</u>
Liabilities:		
Accounts Payable	0	641
Other Liabilities	0	48,287
Total Liabilities	<u>0</u>	<u>\$48,928</u>
Net Assets:		
Held in Trust for Scholarships	<u>10</u>	
Total Net Assets	<u>\$10</u>	

See accompanying notes.

Wilmington City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
Additions:	
Donations	\$0
Total Additions	0
Deductions:	
Scholarships	0
Total Deductions	0
Change in Net Assets	0
Net Assets Beginning of Year	10
Net Assets End of Year	\$10

See accompanying notes.

WILMINGTON CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

1. DESCRIPTION OF THE DISTRICT

The Wilmington City School District (District) was originally organized in 1853 known as School District No. 1 of Union Township. In 1853 State Laws were enacted to create a local Board of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's six instructional and support facilities staffed by 110 non-certificated and 202 certificated teaching personnel and 18 administrative employees to provide service to 3,155 students and other community members.

REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

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

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The District's enterprise fund is:

Food Service Fund – This fund accounts for the financial transactions related to the food service operations of the District.

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

Fiduciary Funds

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

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$104,373.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

INVENTORY

On government-wide financial statements and proprietary fund statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20-40 years	N/A
Equipment	3-15 years	3-15 years

COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in Proprietary Funds.

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

<u>VACATION</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	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>			
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

NET ASSETS

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

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

INTERFUND ACTIVITY

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

FUND EQUITY

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

CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$1,771,879	\$2,521,914	\$1,267,716	\$5,561,509
Fund Reclassification	<u>751</u>	<u>0</u>	<u>0</u>	<u>751</u>
Adjusted Fund Balances, June 30, 2002	<u>\$1,772,630</u>	<u>\$2,521,914</u>	<u>\$1,267,716</u>	\$5,562,260
GASB 34 Adjustments:				
Capital Assets				\$18,377,199
Accrued Interest Payable				(63,938)
Compensated Absences Payable				(809,376)
Deferred Revenue				3,309
Accrued Wages and Benefits				(98,919)
Long Term Liabilities				(16,115,000)
Internal Service, Net Assets				<u>299,327</u>
Governmental Activities Net Assets, June 30, 2002				<u>\$7,154,862</u>

At June 30, 2002, fixed assets were restated in the Enterprise Funds. This restatement had the following effect on fund equity as it was previously reported:

	<u>Food Service</u>
Fund Equity June 30, 2002	\$45,366
Fixed Assets	<u>47,288</u>
Adjusted Net Assets, June 30, 2002	<u>\$92,654</u>

4. CASH AND CASH EQUIVALENTS

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 "Cash and cash equivalents."

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Deposits – At the year end, the carrying amount of the District's deposits was \$5,621,101. The bank balance of deposits was \$5,649,555 of which \$113,868 was covered by federal depository insurance. The remaining balance of \$5,535,687 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured 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 counterparty'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 counterparty or by its department or agent, but not in the District's name.

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

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
U.S. Treasury Equivalent	\$0	\$0	\$500,000	\$500,000
Repurchase Agreement	<u>0</u>	<u>0</u>	<u>207,193</u>	<u>207,193</u>
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$707,193</u>	<u>\$707,193</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$1,246,380 for General Fund, \$204,703 for Debt Service and \$10,525 for Capital Projects, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations. The amount available for advance at June 30, 2002 was \$976,335 for General Fund, \$226,438 for Debt Service, and \$8,712 for Capital Projects, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2002 operations.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$342,252,020
Public Utility Personal	21,284,020
Tangible Personal Property	<u>87,927,556</u>
Total	<u>\$451,463,596</u>

6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
Land	\$624,927	\$0	\$0	\$624,927
Buildings and Improvements	25,291,859	0	0	25,291,859
Equipment	<u>4,302,511</u>	<u>164,812</u>	<u>0</u>	<u>4,467,323</u>
Totals at Historical Cost	<u>\$30,219,297</u>	<u>\$164,812</u>	<u>\$0</u>	<u>\$30,384,109</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$7,574,383	\$652,515	\$0	\$8,226,898
Equipment	<u>4,267,715</u>	<u>84,640</u>	<u>0</u>	<u>4,352,355</u>
Total Accumulated Depreciation	<u>\$11,842,098</u>	<u>\$737,155</u>	<u>\$0</u>	<u>\$12,579,253</u>
Governmental Activities Capital Assets, Net	<u>\$18,377,199</u>	<u>(\$572,343)</u>	<u>\$0</u>	<u>\$17,804,856</u>
Business-Type Activities				
Equipment	\$567,848	\$0	\$0	\$567,848
Total at Historical Cost	<u>\$567,848</u>	<u>\$0</u>	<u>\$0</u>	<u>\$567,848</u>
Less Accumulated Depreciation:				
Equipment	\$430,333	\$12,886	\$0	\$443,219
Total Accumulated Depreciation	<u>\$430,333</u>	<u>\$12,886</u>	<u>\$0</u>	<u>\$443,219</u>
Business-Type Activities Capital Assets, Net	<u>\$137,515</u>	<u>(\$12,886)</u>	<u>\$0</u>	<u>\$124,629</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$530,497
Special	51,196
Vocational	7,125
Support Services:	
Pupil	3,680
Instructional Staff	3,621
School Administration	74,361
Operations and Maintenance	46,678
Pupil Transportation	19,797
Central	<u>200</u>
Total Depreciation Expense	<u>\$737,155</u>

8. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds and Notes:						
Wilmington H.S. Addition Renovation 1998 4.98%	12/01/20	\$7,515,000	\$ 0	\$255,000	\$7,260,000	\$265,000
Bond Refunding 2001 3.80%	12/01/02	8,305,000	0	1,250,000	7,055,000	860,000
Energy Conservation Notes 1996 5.25%	6/01/05	<u>295,000</u>	<u>0</u>	<u>95,000</u>	<u>200,000</u>	<u>100,000</u>
Total General Obligation Bonds and Notes		16,115,000	0	1,600,000	14,515,000	1,225,000
Compensated Absences		809,376	5,859	0	815,235	93,567
Capital Leases		<u>0</u>	<u>432,481</u>	<u>139,865</u>	<u>292,616</u>	<u>105,475</u>
Total Governmental Activities Long-Term Liabilities		<u>\$16,924,376</u>	<u>\$438,340</u>	<u>\$1,739,865</u>	<u>\$15,622,851</u>	<u>\$1,424,042</u>
<u>Business-Type Activities</u>						
Compensated Absences		<u>\$13,135</u>	<u>\$0</u>	<u>(\$3,749)</u>	<u>\$9,386</u>	<u>\$0</u>

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

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

Fiscal Year Ending June 30,	<u>General Obligation Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$1,225,000	\$588,299	\$1,813,299
2005	1,225,000	542,656	1,767,656
2006	1,130,000	498,235	1,628,235
2007	1,125,000	456,190	1,581,190
2008	1,130,000	412,862	1,542,862
2009-2013	4,606,972	2,659,564	7,266,536
2014-2018	2,373,028	730,605	3,103,633
2019-2021	<u>1,700,000</u>	<u>130,250</u>	<u>1,830,250</u>
Totals	<u>\$14,515,000</u>	<u>\$6,018,661</u>	<u>\$20,533,661</u>

9. LEASES

CAPITAL LEASES

The District has entered into a new capital lease for June 30, 2003 to upgrade technology.

The lease for the technology upgrade meets the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General fund.

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

Fiscal Year Ending June 30,	Long-Term Debt
2004	\$156,848
2005	<u>156,848</u>
Total Minimum Lease Payments	313,696
Less: Amount Representing Interest	<u>(21,080)</u>
Present Value of Minimum Lease Payments	<u>\$292,616</u>

10. DEFINED BENEFIT PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The 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. The 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 District is required to contribute 14%; 5.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$347,148, \$330,876 and \$333,180 respectively; 48.3% has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$179,292 represents the unpaid contribution for fiscal year 2003.

STATE TEACHERS RETIREMENT SYSTEM

The District contributes 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. The 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 District is required to contribute 14%; 13% was the portion used to fund pension obligations. 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 required contributions for pension obligations to STRS for the fiscal year ended June 30, 2003, 2002, and 2001 were \$1,328,244, \$1,352,004 and \$1,350,192, respectively, 83.3% has been contributed for fiscal year 2003, and 100 percent for the fiscal years 2002 and 2001. \$221,644 represents the unpaid contribution for fiscal year 2003.

11. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of 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% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$426,936 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

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% of the premium.

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$211,760 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

12. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

LITIGATION

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

13. JOINTLY GOVERNED ORGANIZATION

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

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

The District is a participant in the **Miami Valley Educational Computer Association (MVECA)** which is a 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.

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine and property insurance from private carriers. General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$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, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of cost relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance Beginning <u>of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance <u>End of Year</u>
2002	\$27,879	\$201,636	\$212,466	\$17,049
2003	17,049	198,533	189,317	26,265

15. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

16. COMPLIANCE AND ACCOUNTABILITY

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue	
Title I	\$9,445
Title V	265
IDEA Preschool Grant	313
Improving Teacher Quality	4,113

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2003, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2002	\$70,813	\$ 0	\$57,982	\$128,795
Current Year Set-aside Requirement	430,195	430,195	0	860,390
Qualified Disbursements	(501,008)	(430,195)	0	(931,203)
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$57,982</u>	<u>\$57,982</u>
Restricted Cash as of June 30, 2003	<u>\$57,982</u>			

Actual expenditures for textbooks during the year totaled \$553,125. This results in a carryforward to next year of \$52,117.

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

Expenditures for capital activity during the year totaled \$430,195. Although the District may have had qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>
General Fund	\$11,800	
Special Revenue Fund:		
Title V		\$3,700
Enterprise Fund:		
Food Service	_____	<u>8,100</u>
	<u>\$11,800</u>	<u>\$11,800</u>

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

19. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2003, approximately \$7.5 million of bonds outstanding are considered defeased.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

Wilmington CSD
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,696,978	\$9,623,517	\$9,623,517	\$0
Revenue in lieu of taxes	0	0	0	0
Tuition and Fees	364,579	361,817	361,817	0
Interest	99,276	98,524	98,524	0
Intergovernmental	8,622,850	8,557,526	8,557,526	0
Extracurricular Activities	126	125	125	0
Other Revenues	76,376	75,797	75,797	0
Total Revenues	18,860,185	18,717,306	18,717,306	0
Expenditures:				
Current:				
Instruction:				
Regular	8,806,656	9,039,229	9,039,229	0
Special	1,671,637	1,715,783	1,715,783	0
Vocational	284,999	292,525	292,525	0
Other	604,981	620,958	620,958	0
Support Services:				
Pupil	649,654	666,811	666,811	0
Instructional Staff	725,185	744,336	744,336	0
General Administration	230,867	236,964	236,964	0
School Administration	1,240,737	1,273,503	1,273,503	0
Fiscal	462,296	474,505	474,505	0
Business	349,892	359,132	359,132	0
Operations and Maintenance	2,210,897	2,269,284	2,269,284	0
Pupil Transportation	1,167,657	1,198,493	1,198,493	0
Central	2,492	2,558	2,558	0
Extracurricular Activities	292,911	300,646	300,646	0
Debt Service:				
Principal Retirement	139,865	139,865	139,865	0
Interest and Fiscal Charges	12,966	17,003	17,003	0
Total Expenditures	18,853,692	19,351,595	19,351,595	0
Excess of Revenues Over (Under) Expenditures	6,493	(634,289)	(634,289)	0
Other financing sources (uses):				
Proceeds from Sale of Fixed Assets	6,887	6,835	6,835	0
Advances In	3,152	3,128	3,128	0
Advances (Out)	(14,544)	(14,928)	(14,928)	0
Transfers (Out)	(1,988)	(2,040)	(2,040)	0
Total Other Financing Sources (Uses)	(6,493)	(7,005)	(7,005)	0
Net Change in Fund Balance	0	(641,294)	(641,294)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,627,911	2,627,911	2,627,911	0
Fund Balance End of Year	\$2,627,911	\$1,986,617	\$1,986,617	\$0

See accompanying notes to the required supplementary information.

WILMINGTON CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$100,334
Net Adjustment for Revenue Accruals	(1,168,439)
Net Adjustment for Expenditure Accruals	799,800
Encumbrances	<u>(372,989)</u>
Budget Basis	<u>(\$641,294)</u>

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550	\$ -	\$ 50,428	\$ -	\$ 50,428
National School Lunch Program	LL-P4 02	10.555	182,002	-	182,002	-
	LL-P4 01		-	-	-	-
Total Child Nutrition Cluster			<u>182,002</u>	<u>50,428</u>	<u>182,002</u>	<u>50,428</u>
Total U.S. Department of Agriculture			182,002	50,428	182,002	50,428
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-02	84.027	257,617	-	262,686	-
	6B-SF-00					
	6B-SF-99					
	6B-SF-98					
	6B-SF-97					
Special Education - Preschool Grants	PG-S1-02	84.173	8,642	-	8,596	-
	PG-S1-00					
Total Special Education Cluster			<u>266,259</u>	<u>-</u>	<u>271,282</u>	<u>-</u>
Title I, Part A, ESEA	C1-S1-02	84.010	312,707	-	362,057	-
	C1-S1-00					
Safe and Drug Free Schools	DR-S1-02	84.186	8,926	-	7,720	-
	DR-S1-01					
	DR-S1-99					
	DR-S1-97					
Goals 2000 FY - State and Local Education Systemic Improvement Grants	G2-S2-01	84.276	-	-	2,651	-
	G2-S2-00					
Eisenhower Professional Development State Grants Title II, Part B	MS-S1-02	84.281	3,128	-	9,556	-
	MS-S1-01					
	MS-S1-00					
	MS-S4-00					
	MS-S1-99					
	MS-S1-97					
	MS-S1-96					
Innovative Educational Program Strategies	C2-S1-02	84.298	19,379	-	23,305	-
	C2-S1-01					
Class Size Reduction	CR-S1-02	84.340	139,408	-	137,048	-
	CR-S1-01					
	CR-S1-00					
SchoolNet Assistance Technology	AT-S1-02	84.352	43,080	-	39,098	-
Total Department of Education			<u>792,887</u>	<u>-</u>	<u>852,717</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HUMAN SERVICES</u>						
<i>Passed through Ohio Department of MRDD:</i>						
Medical Assistance Program/CAFS	n/a	93.778	37,712	-	37,712	-
Total Department of Human Services			<u>37,712</u>	<u>-</u>	<u>37,712</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,012,601</u>	<u>\$ 50,428</u>	<u>\$ 1,072,431</u>	<u>\$ 50,428</u>

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, 2003**

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, 2003, 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.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 24, 2004, which indicated that the District had implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, GASB Statement No. 37, GASB Statement No. 38, and GASB Interpretation No. 6. 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 management of the District in a separate letter dated March 24, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control 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 March 24, 2004.

This report is intended for the information and use of the District's audit committee, elected officials, 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.

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

Betty Montgomery
Auditor of State

March 24, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT 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 the Wilmington City School District, Clinton County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on 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.

In our opinion, the 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, 2003.

Internal Control Over Compliance

The management of the 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 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the District's audit committee, elected officials, 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.

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

Betty Montgomery
Auditor of State

March 24, 2004

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 18, 2004**