



Dave Yost • Auditor of State

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets June 30, 2011	13
Statement of Activities – For the Fiscal Year Ended June 30, 2011	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds June 30, 2011	15
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities June 30, 2011	16
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2011	17
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, 2011	18
Statement of Fiduciary Net Assets – Fiduciary Fund June 30, 2011	19
Notes to the Basic Financial Statements.....	21
Required Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	49
Notes to the Required Supplementary Information.....	50
Schedule of Federal Awards Expenditures.....	53
Notes to Schedule of Federal Awards Receipts and Expenditures	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings.....	59

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Accountants' Report on Applying Agreed-Upon Procedures	63



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining funds information of Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 19, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining funds information of Wilmington City School District, Clinton County, Ohio, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 28, 2012

**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(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, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$324,194 which represents a 2% decrease from 2010.
- General revenues accounted for \$23,367,384 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,910,535 or 20% of total revenues of \$29,277,919 .
- The District had \$29,602,113 in expenses related to governmental activities; \$5,910,535 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,367,384 were also used to provide for these programs.

Overview of the Financial Statements

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

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

**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011." The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Government-wide Financial Statements, the District presents one type of activity:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

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

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

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

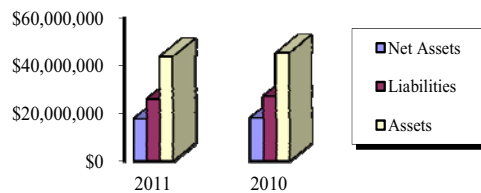
**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$26,515,054	\$27,483,591
Capital Assets	17,119,639	17,618,605
Total Assets	43,634,693	45,102,196
Liabilities:		
Other Liabilities	18,038,408	17,764,943
Long-Term Liabilities	7,894,979	9,311,753
Total Liabilities	25,933,387	27,076,696
Net Assets:		
Invested in Capital Assets, Net of Related Debt	10,321,711	9,488,284
Restricted	3,723,308	3,796,940
Unrestricted	3,656,287	4,740,276
Total Net Assets	\$17,701,306	\$18,025,500



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$17,701,306 .

At year-end, capital assets represented 39% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$10,321,711. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

A portion of the District's net assets, \$3,723,308 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

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

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,405,912	\$1,435,229
Operating Grants, Contributions	4,504,623	3,296,605
General Revenues:		
Income Taxes	3,444,814	3,491,215
Property Taxes	9,761,161	9,996,120
Grants and Entitlements	9,987,232	10,128,661
Other	174,177	132,435
Total Revenues	<u>29,277,919</u>	<u>28,480,265</u>
Program Expenses:		
Instruction	17,398,300	17,475,394
Support Services:		
Pupil and Instructional Staff	3,376,960	3,547,341
School Administrative, General		
Administration, Fiscal and Business	2,705,196	2,864,212
Operations and Maintenance	2,153,039	2,068,334
Pupil Transportation	1,385,279	1,275,700
Central	326,381	249,012
Operation of Non-Instructional Services	1,399,553	1,335,036
Extracurricular Activities	533,571	558,210
Interest and Fiscal Charges	323,834	364,560
Total Program Expenses	<u>29,602,113</u>	<u>29,737,799</u>
Change in Net Assets	(324,194)	(1,257,534)
Net Assets Beginning of Year	<u>18,025,500</u>	<u>19,283,034</u>
Net Assets End of Year	<u>\$17,701,306</u>	<u>\$18,025,500</u>

**Wilmington City School District
Management’s Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

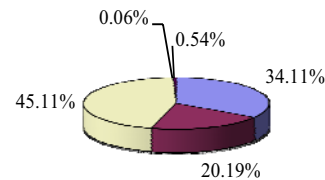
The District revenues are mainly from three sources. Income taxes, property taxes levied for general, special revenue, debt services, and capital projects purposes and grants and entitlements comprised 79% of the District’s revenues for governmental activities.

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

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property and Income taxes made up 45% of revenue for governmental activities for the District in fiscal year 2011.

Make up of revenues for the District:

<u>Revenue Sources</u>	<u>2011</u>	<u>Percent of Total</u>
General Grants	\$9,987,232	34%
Program Revenues	5,910,535	20%
General Tax Revenues	13,205,975	45%
Investment Earnings	16,225	0%
Other Revenues	157,952	1%
	<u>\$29,277,919</u>	<u>100%</u>



Instruction comprises 58.8% of governmental program expenses. Support services expenses were 33.6% of governmental program expenses. All other expenses including interest expense were 7.6%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants increased mainly due to an increase in grant monies (intergovernmental revenue) received in 2011 compared to 2010. Total Expenses remained relatively consistent in fiscal year 2011 as compared to fiscal year 2010.

**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$17,398,300	\$17,475,394	(\$14,519,067)	(\$15,494,842)
Support Services:				
Pupil and Instructional Staff	3,376,960	3,547,341	(2,591,872)	(2,747,573)
School Administrative, General				
Administration, Fiscal and Business	2,705,196	2,864,212	(2,638,126)	(2,810,233)
Operations and Maintenance	2,153,039	2,068,334	(1,562,765)	(1,719,406)
Pupil Transportation	1,385,279	1,275,700	(1,341,982)	(1,219,961)
Central	326,381	249,012	(316,859)	(216,543)
Operation of Non-Instructional Services	1,399,553	1,335,036	35,873	5,176
Extracurricular Activities	533,571	558,210	(432,946)	(438,023)
Interest and Fiscal Charges	323,834	364,560	(323,834)	(364,560)
Total Expenses	<u>\$29,602,113</u>	<u>\$29,737,799</u>	<u>(\$23,691,578)</u>	<u>(\$25,005,965)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the general fund comprised \$20,649,648 (78%) and the debt service fund comprised \$3,062,779 (12%) of the total \$26,504,103 governmental funds assets.

General Fund: Fund balance at June 30, 2011 was \$3,497,763 including \$2,700,867 of unassigned balance. The primary reason for the decrease in fund balance was due to a decrease in taxes revenue due to the decrease in property tax advances available at fiscal year end.

Debt Service Fund: Fund balance at June 30, 2011 was \$1,782,525 a decrease of \$214,720 in fund balance. The primary reason for the decrease in fund balance was due to a decrease in taxes revenue due to the decrease in property tax advances available at fiscal year end.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget during the year. The District's budgeting systems are designed to tightly control total budgets but provide flexibility for management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

**Wilmington City School District
Management’s Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

For the General Fund, final budget basis revenue was \$23,563,233, compared to original budget estimates of \$22,563,044. Of this \$1,000,189 difference, most was due to a difference in estimates for taxes and intergovernmental revenues.

The District’s ending unobligated actual fund balance for the General Fund was \$3,055,149.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$17,119,639 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$624,927	\$624,927
Buildings and Improvements	15,561,466	15,856,432
Equipment	933,246	1,137,246
Total Net Capital Assets	<u>\$17,119,639</u>	<u>\$17,618,605</u>

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

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

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**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

Debt

At June 30, 2011, the District had \$6,940,183 in bonds and capital leases outstanding, \$808,738 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2011	2010
Governmental Activities:		
Wilmington H.S. Addition Renovation	\$1,630,000	\$1,985,000
2001 Refunding Bonds	475,000	1,265,000
2006 Refunding Bonds:		
Current Interest Bonds -		
School Improvement	2,880,000	2,905,000
Capital Appreciation Bonds	110,000	110,000
Capital Appreciation Bonds - Compounding Interest	142,255	103,673
Premium on 2006 Refunding Bonds	153,928	169,321
Capital Leases	1,549,000	1,696,000
Total Bonds and Capital Leases	<u>\$6,940,183</u>	<u>\$8,233,994</u>

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

For the Future

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

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

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

**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2011
(Unaudited)**

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

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

Contacting the District's Financial Management

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

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Wilmington City School District
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$6,823,749
Restricted Cash and Investments	57,982
Receivables:	
Taxes	18,552,049
Accounts	3,434
Interest	404
Intergovernmental	707,491
Notes	313,752
Deferred Bond Issuance Costs	46,193
Inventory	10,000
Nondepreciable Capital Assets	624,927
Depreciable Capital Assets, Net	<u>16,494,712</u>
 Total Assets	 <u>43,634,693</u>
Liabilities:	
Accounts Payable	100,792
Accrued Wages and Benefits	2,637,305
Accrued Interest Payable	20,807
Unearned Revenue	15,279,504
Long-Term Liabilities:	
Due Within One Year	1,021,698
Due In More Than One Year	<u>6,873,281</u>
 Total Liabilities	 <u>25,933,387</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	10,321,711
Restricted for:	
Debt Service	1,933,086
Capital Projects	171,198
Classroom Facilities Maintenance	921,957
Food Service	96,287
Student Activity	57,380
Auxiliary Services	7,764
State Grants	575
Federal Grants	535,061
Unrestricted	<u>3,656,287</u>
 Total Net Assets	 <u><u>\$17,701,306</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$14,165,496	\$758,244	\$970,132	(\$12,437,120)
Special	2,491,833	32,442	950,648	(1,508,743)
Vocational	237,268	0	43,281	(193,987)
Other	503,703	0	124,486	(379,217)
Support Services:				
Pupil	1,533,672	0	132,299	(1,401,373)
Instructional Staff	1,843,288	0	652,789	(1,190,499)
General Administration	175,569	0	0	(175,569)
School Administration	1,538,311	0	0	(1,538,311)
Fiscal	702,795	0	67,070	(635,725)
Business	288,521	0	0	(288,521)
Operations and Maintenance	2,153,039	2,500	587,774	(1,562,765)
Pupil Transportation	1,385,279	0	43,297	(1,341,982)
Central	326,381	0	9,522	(316,859)
Operation of Non-Instructional Services	1,399,553	512,101	923,325	35,873
Extracurricular Activities	533,571	100,625	0	(432,946)
Interest and Fiscal Charges	323,834	0	0	(323,834)
Total Governmental Activities	\$29,602,113	\$1,405,912	\$4,504,623	(23,691,578)

General Revenues:	
Income Taxes	3,444,814
Property Taxes Levied for:	
General Purposes	8,544,497
Special Revenue Purposes	172,411
Debt Service Purposes	963,933
Capital Projects Purposes	80,320
Grants and Entitlements not Restricted to Specific Programs	9,987,232
Revenue in lieu of taxes	11,054
Unrestricted Contributions	128,969
Investment Earnings	16,225
Other Revenues	17,929
Total General Revenues	23,367,384
Change in Net Assets	(324,194)
Net Assets Beginning of Year	18,025,500
Net Assets End of Year	\$17,701,306

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,600,363	\$1,714,713	\$1,508,673	\$6,823,749
Restricted Cash and Investments	57,982	0	0	57,982
Receivables:				
Taxes	16,636,394	1,348,066	567,589	18,552,049
Accounts	2,012	0	1,422	3,434
Interest	404	0	0	404
Intergovernmental	3,499	0	703,992	707,491
Notes	313,752	0	0	313,752
Interfund	35,242	0	0	35,242
Inventory	0	0	10,000	10,000
Total Assets	20,649,648	3,062,779	2,791,676	26,504,103
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	91,767	0	9,025	100,792
Accrued Wages and Benefits	2,289,077	0	348,228	2,637,305
Compensated Absences	75,471	0	0	75,471
Interfund Payable	0	0	35,242	35,242
Deferred Revenue	14,695,570	1,280,254	1,121,536	17,097,360
Total Liabilities	17,151,885	1,280,254	1,514,031	19,946,170
Fund Balances:				
Nonspendable	313,752	0	10,000	323,752
Restricted	0	1,782,525	1,311,633	3,094,158
Assigned	483,144	0	0	483,144
Unassigned	2,700,867	0	(43,988)	2,656,879
Total Fund Balances	3,497,763	1,782,525	1,277,645	6,557,933
Total Liabilities and Fund Balances	\$20,649,648	\$3,062,779	\$2,791,676	\$26,504,103

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balance		\$6,557,933
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.		17,119,639
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,245,713	
Intergovernmental	<u>572,143</u>	
		1,817,856
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(20,807)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(879,325)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		46,193
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(6,940,183)</u>
Net Assets of Governmental Activities		<u><u>\$17,701,306</u></u>

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$12,056,935	\$972,113	\$254,392	\$13,283,440
Revenue in lieu of taxes	11,054	0	0	11,054
Tuition and Fees	790,686	0	0	790,686
Investment Earnings	14,451	0	1,774	16,225
Intergovernmental	10,446,478	249,116	3,620,484	14,316,078
Extracurricular Activities	0	0	100,625	100,625
Charges for Services	0	0	512,101	512,101
Other Revenues	121,092	0	18,182	139,274
Total Revenues	23,440,696	1,221,229	4,507,558	29,169,483
Expenditures:				
Current:				
Instruction:				
Regular	12,924,996	0	653,719	13,578,715
Special	1,894,909	0	532,848	2,427,757
Vocational	227,636	0	0	227,636
Other	440,832	0	62,871	503,703
Support Services:				
Pupil	1,420,165	0	105,388	1,525,553
Instructional Staff	1,207,583	0	607,712	1,815,295
General Administration	172,728	0	0	172,728
School Administration	1,518,210	0	0	1,518,210
Fiscal	651,489	37,630	11,881	701,000
Business	287,952	0	0	287,952
Operations and Maintenance	1,644,113	0	632,641	2,276,754
Pupil Transportation	1,226,826	0	5,000	1,231,826
Central	298,360	0	0	298,360
Operation of Non-Instructional Services	0	0	1,384,156	1,384,156
Extracurricular Activities	436,038	0	96,408	532,446
Capital Outlay	0	0	336,281	336,281
Debt Service:				
Principal Retirement	74,000	1,170,000	73,000	1,317,000
Interest and Fiscal Charges	19,448	228,319	52,798	300,565
Total Expenditures	24,445,285	1,435,949	4,554,703	30,435,937
Excess of Revenues Over (Under) Expenditures	(1,004,589)	(214,720)	(47,145)	(1,266,454)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	10,123	0	0	10,123
Total Other Financing Sources (Uses)	10,123	0	0	10,123
Net Change in Fund Balance	(994,466)	(214,720)	(47,145)	(1,256,331)
Fund Balance Beginning of Year, Restated	4,492,229	1,997,245	1,324,790	7,814,264
Fund Balance End of Year	\$3,497,763	\$1,782,525	\$1,277,645	\$6,557,933

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balance - Total Governmental Funds (\$1,256,331)

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

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

Capital assets used in governmental activities	664,076	
Depreciation Expense	<u>(1,163,042)</u>	(498,966)

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

Delinquent Property Taxes	(77,465)	
Intergovernmental	<u>175,778</u>	98,313

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 1,317,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 4,539

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	39,059	
Amortization of Bond Issuance Cost	(4,619)	
Amortization of Bond Premium	15,393	
Bond Accretion	<u>(38,582)</u>	11,251

Change in Net Assets of Governmental Activities (\$324,194)

See accompanying notes to the Basic Financial Statements.

Wilmington City School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2011

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$70,042
Receivables:	
Accounts	<u>2,510</u>
Total Assets	<u><u>72,552</u></u>
Liabilities:	
Accounts Payable	1,009
Other Liabilities	<u>71,543</u>
Total Liabilities	<u><u>\$72,552</u></u>

See accompanying notes to the Basic Financial Statements.

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Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 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 122 non-certificated and 218 certificated teaching personnel and 16 administrative employees to provide service to 3,225 students and other community members.

Reporting Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Measurement Focus

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Fund Accounting

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Governmental Funds

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

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

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

Fiduciary Funds

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

Basis of Accounting

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

Equity in Pooled Cash and Investments

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$14,451 and \$1,774 in the other governmental funds.

Inventory

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

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

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

Capital Assets

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

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

Compensated Absences

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

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

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

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

<u>VACATION</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	20 days	10-20 days depending on length of service
Maximum Accumulation	Not Applicable	10	10
Vested	Not Applicable	As Earned	As Earned
<u>SICK LEAVE</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	240 days	240 days	240 days as of 01/01/11

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Vested	As Earned	As Earned	As Earned
Termination			
Entitlement	Per Contract	Per Contract	Per Contract

Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$3,723,308 in restricted net assets, none were restricted by enabling legislation.

Interfund Activity

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

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

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

Fund Balance

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

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

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

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

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

Restricted Assets

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

Accrued Liabilities and Long Term Obligations

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

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

Estimates

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 3 – Equity in Pooled Cash and Investments

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

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

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

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

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$2,629,255 of the District's bank balance of \$3,192,453 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Investments

As of June 30, 2011, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	\$3,397,192	0.00
Money Market Fund	498,968	0.00
Total Fair Value	<u>\$3,896,160</u>	0.00

Portfolio Weighted Average Maturity

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

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

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 13% of the District’s investments in Money Market Funds and 87% in Repurchase Agreements.

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

Note 4 – Property Taxes

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2012 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$597,420 in the General Fund, \$67,812 in the Debt Service Fund and \$18,196 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2011 were based as follows:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$429,562,280
Public Utility Personal	<u>36,156,890</u>
Total	<u><u>\$465,719,170</u></u>

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 5 – Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants, notes and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$624,927	\$0	\$0	\$624,927
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	29,197,992	635,835	0	29,833,827
Equipment	6,205,675	28,241	83,513	6,150,403
Totals at Historical Cost	<u>\$36,028,594</u>	<u>\$664,076</u>	<u>\$83,513</u>	<u>\$36,609,157</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$13,341,560	\$930,801	\$0	\$14,272,361
Equipment	5,068,429	232,241	83,513	5,217,157
Total Accumulated Depreciation	<u>18,409,989</u>	<u>1,163,042</u>	<u>83,513</u>	<u>19,489,518</u>
Governmental Activities Capital Assets, Net	<u>\$17,618,605</u>	<u>(\$498,966)</u>	<u>\$0</u>	<u>\$17,119,639</u>

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$666,651
Special	68,891
Vocational	9,219
Support Services:	
Instructional Staff	18,943
General Administration	2,841
School Administration	102,388
Business	219
Operations and Maintenance	120,559
Pupil Transportation	132,233
Central	27,924
Operation of Non-Instructional Services	12,397
Extracurricular Activities	777
Total Depreciation Expense	<u>\$1,163,042</u>

Note 7 – Long-Term Liabilities

	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds and Notes:						
Wilmington H.S. Addition Renovation	4.98%	\$1,985,000	\$0	\$355,000	\$1,630,000	\$375,000
2001 Refunding Bonds	3.80%	1,265,000	0	790,000	475,000	231,738
2006 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	3.50%	2,905,000	0	25,000	2,880,000	50,000
Capital Appreciation Bonds		110,000	0	0	110,000	0
Capital Appreciation Bonds - Compounding Interest	3.50%	103,673	38,582	0	142,255	0
Premium on 2006 Refunding Bonds		169,321	0	15,393	153,928	0
Total General Obligation Bonds		6,537,994	38,582	1,185,393	5,391,183	656,738
Capital Leases		1,696,000	0	147,000	1,549,000	152,000
Total Long Term Debt		8,233,994	38,582	1,332,393	6,940,183	808,738
Compensated Absences		1,077,759	229,209	352,172	954,796	212,960
Total Governmental Activities		<u>\$9,311,753</u>	<u>\$267,791</u>	<u>\$1,684,565</u>	<u>\$7,894,979</u>	<u>\$1,021,698</u>

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$656,738	\$739,879	\$1,396,617	\$0	\$0	\$0
2013	640,234	713,910	1,354,144	0	0	0
2014	518,028	302,253	820,281	0	0	0
2015	490,000	120,080	610,080	0	0	0
2016	0	107,200	107,200	110,000	380,000	490,000
2017-2021	2,680,000	276,200	2,956,200	0	0	0
Total	\$4,985,000	\$2,259,522	\$7,244,522	\$110,000	\$380,000	\$490,000

Note 8 – Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2011, \$3,165,000 of bonds outstanding are considered defeased.

Note 9 – Capital Leases – Lessee Disclosure

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

The District began making principal payments in fiscal year 2007. The principal amount owed on the lease at fiscal year end is \$403,000.

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

The District began making principal payments in fiscal year 2009. The principal amount owed on the lease at fiscal year end is \$1,146,000.

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

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

Fiscal Year Ending June 30,	Long-Term Debt
2012	\$218,632
2013	217,036
2014	216,222
2015	215,150
2016	212,818
2017-2021	618,238
2022-2023	245,868
Total Minimum Lease Payments	1,943,964
Less: Amount Representing Interest	(381,122)
Less: Additional Program Cost Component	(13,842)
Present Value of Minimum Lease Payments	<u>\$1,549,000</u>

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

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

Note 10 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$594,576, \$524,196, and \$544,548, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

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

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

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

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$1,755,084, \$1,758,660, and \$1,676,400, respectively; 85% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 11- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$32,277, \$28,456 and \$29,172, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$60,732, \$17,224, and \$161,804, respectively; 52% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$125,363, \$125,619, and \$119,743, respectively; 85% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 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, 2011.

Litigation

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

Note 13 – Jointly Governed Organization

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

Note 14 – Risk Management

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

As of June 30, 2011, the District is no longer self-insured concerning dental insurance. Dental insurance, in prior years, was offered to employees through a self-insurance internal service fund.

Note 15 – Accountability

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

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Technology II D	\$5,898
Special Education	5,358
IDEA PreSchool Grant	2,896
Improving Teacher Quality	29,836

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 16 – Fund Balance Reserves for Set-Asides

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

For fiscal year ended June 30, 2011, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2010	(\$1,661,243)	\$0	\$57,982
Current Year Set Aside Requirement	480,697	480,697	0
Qualified Disbursements	(287,714)	(667,635)	
Current Year Offsets	0	(8,194,960)	0
Set Aside Reserve Balance as of June 30, 2011	<u>(\$1,468,260)</u>	<u>(\$8,381,898)</u>	<u>\$57,982</u>
Amount to be carried forward to FY2012	<u>(\$1,468,260)</u>		

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

Expenditures for capital activity during the year totaled \$667,637. Although the District may have had qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years. Expenditures for textbooks totaled \$287,714. The District may carry forward \$1,468,260 to offset textbook requirements in future years.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 17 – Interfund Transactions

Interfund transactions at June 30, 2011, consisted of the following interfund receivables and interfund payables:

	Interfund	
	Receivable	Payable
General Fund	\$35,242	\$0
Other Governmental Funds	0	35,242
Total All Funds	<u>\$35,242</u>	<u>\$35,242</u>

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

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Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 18 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$0	\$0	\$10,000	\$10,000
Promissory Notes	313,752	0	0	\$313,752
Total Nonspendable	313,752	0	10,000	323,752
Restricted for:				
Student Activity	0	0	57,380	57,380
Vocational Education	0	0	1,659	1,659
Auxillary Services	0	0	7,764	7,764
Miscellaneous State Grants	0	0	432	432
Title I	0	0	55,901	55,901
Drug Free Schools	0	0	257	257
Title III	0	0	290	290
Race to the Top	0	0	2,202	2,202
Food Service	0	0	121,874	121,874
Classroom Facilities Maintenance	0	0	898,855	898,855
Debt Service	0	1,782,525	0	1,782,525
Permanent Improvement	0	0	165,019	165,019
Total Restricted	0	1,782,525	1,311,633	3,094,158
Assigned to:				
Encumbrances	483,144	0	0	483,144
Total Assigned	483,144	0	0	483,144
Unassigned (Deficit)	2,700,867	0	(43,988)	2,656,879
Total Fund Balance	\$3,497,763	1,782,525	\$1,277,645	\$6,557,933

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 19 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

Restatement of Fund Balance

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
	<u> </u>	<u> </u>
Fund Balance, June 30, 2010	\$4,552,834	\$1,264,185
Change in Fund Structure	(60,605)	60,605
Fund Balance, June 30, 2010 - Restated	<u>\$4,492,229</u>	<u>\$1,324,790</u>

REQUIRED SUPPLEMENTARY INFORMATION



Wilmington City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$11,642,007	\$12,158,081	\$12,158,281	\$200
Revenue in lieu of taxes	10,585	11,054	11,054	0
Tuition and Fees	780,138	814,721	814,734	13
Investment Earnings	15,677	16,372	16,372	0
Intergovernmental	9,999,541	10,442,807	10,442,979	172
Other Revenues	115,096	120,198	120,200	2
Total Revenues	22,563,044	23,563,233	23,563,620	387
Expenditures:				
Current:				
Instruction:				
Regular	13,359,388	13,457,092	13,089,196	367,896
Special	1,978,634	1,993,104	1,938,616	54,488
Vocational	240,579	242,338	235,713	6,625
Other	449,911	453,202	440,812	12,390
Support Services:				
Pupil	1,458,788	1,469,457	1,429,284	40,173
Instructional Staff	1,270,394	1,279,685	1,244,700	34,985
General Administration	177,605	178,904	174,013	4,891
School Administration	1,555,305	1,566,680	1,523,849	42,831
Fiscal	665,252	670,117	651,797	18,320
Business	330,979	333,400	324,285	9,115
Operations and Maintenance	1,698,457	1,710,879	1,664,106	46,773
Pupil Transportation	1,355,132	1,365,043	1,327,725	37,318
Central	242,154	243,925	237,256	6,669
Extracurricular Activities	445,071	448,326	436,069	12,257
Capital Outlay	338,880	341,358	332,026	9,332
Debt Service:				
Principal Retirement	74,000	76,080	74,000	2,080
Interest and Fiscal Charges	21,377	19,995	19,448	547
Total Expenditures	25,661,906	25,849,585	25,142,895	706,690
Excess of Revenues Over (Under) Expenditures	(3,098,862)	(2,286,352)	(1,579,275)	707,077
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	9,693	10,123	10,123	0
Transfers In	85,127	88,901	88,902	1
Transfers (Out)	(90,737)	(91,401)	(88,902)	2,499
Total Other Financing Sources (Uses)	4,083	7,623	10,123	2,500
Net Change in Fund Balance	(3,094,779)	(2,278,729)	(1,569,152)	709,577
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,624,301	4,624,301	4,624,301	0
Fund Balance End of Year	\$1,529,522	\$2,345,572	\$3,055,149	\$709,577

See accompanying notes to the required supplementary information.

Wilmington City School District
Notes to the Required Supplementary Information
For the year ended June 30, 2011

Note 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 2011.

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

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

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

Wilmington City School District
Notes to the Required Supplementary Information
For the year ended June 30, 2011

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	(\$994,466)
Revenue Accruals	122,924
Expenditure Accruals	(176,418)
Transfers In	88,902
Transfers (Out)	(88,902)
Encumbrances	<u>(521,192)</u>
Budget Basis	<u><u>(\$1,569,152)</u></u>

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WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed through Ohio Department of Education:</i>					
Non-Cash Assistance:					
National School Lunch Program	10.555	\$ -	\$ 150,320	\$ -	\$ 150,320
Cash Assistance:					
National School Breakfast Program	10.553	115,976	-----	115,976	-----
National School Lunch	10.555	639,034	-----	639,034	-----
<i>Total Nutrition Cluster:</i>		755,010	150,320	755,010	150,320
Child and Adult Care Food Program	10.558	308	-----	308	-----
Total U.S. Department of Agriculture		755,318	150,320	755,318	150,320
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title 1 - FY 11	84.010	496,565	-----	454,669	-----
Title 1 - FY 10		-	-----	46,210	-----
Title 1, School Improvement Subsidy A, FY11		6,000	-----	6,000	-----
Title 1, School Improvement Subsidy A, FY10		42,373	-----	2,533	-----
ARRA - Title 1, Part A, FY11	84.389	47,451	-----	35,311	-----
ARRA - Title 1, Part A, FY10		35,613	-----	10,091	-----
<i>Total Title I</i>		628,002	-	554,814	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY11	84.027	488,792	-----	477,615	-----
IDEA Part B - FY10		59,317	-----	67,135	-----
ARRA - IDEA Part B, FY11	84.391	272,496	-----	254,238	-----
ARRA - IDEA Part B, FY10		45,033	-----	69,359	-----
Educational Handicapped Preschool					
Preschool Subsidy - FY11	84.173	9,205	-----	8,735	-----
Preschool Subsidy - FY10		-----	-----	1,157	-----
ARRA - Preschool Subsidy, FY11	84.392	7,910	-----	9,428	-----
ARRA - Preschool Subsidy, FY10		2,269	-----	1,606	-----
<i>Total Special Education Cluster</i>		885,022	-----	889,273	-----
Drug Free Schools					
Drug Free Education - Subsidy - FY11	84.186	3,191	-----	3,191	-----
<i>Total Drug Free School Grants</i>		3,191	-----	3,191	-----
Title IID - Education Technology State Grants					
Education Technology, IID - FY11	84.318	2,139	-----	1,170	-----
ARRA - Education Technology, Competitive Grant - FY11	84.386	206,592	-----	225,354	-----
<i>Total Title IID - Education Technology State Grants</i>		208,731	-----	226,524	-----
Additional Programs:					
LEP, Title III - FY11	84.365	1,417	-----	1,128	-----
LEP, Title III - FY10		9,742	-----	6,758	-----
Improving Teacher Quality - FY11	84.367	149,013	-----	144,082	-----
Improving Teacher Quality - FY10		17,303	-----	18,787	-----
ARRA - State Fiscal Stabilization Fund (SFSF), FY11	84.394	655,740	-----	655,740	-----
ARRA - State Fiscal Stabilization Fund (SFSF), FY10		-----	-----	50,055	-----
ARRA - Race to the Top	84.395	7,299	-----	5,098	-----
<i>Total Additional Programs</i>		840,514	-----	881,648	-----
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education - FY11	84.048	7,688	-----	6,139	-----
Career Education - FY10		-	-----	664	-----
<i>Total Vocational Education</i>		7,688	-----	6,803	-----
Total Department of Education		2,573,148	-----	2,562,253	-----
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 3,328,466	\$ 150,320	\$ 3,317,571	\$ 150,320

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

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2012 wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standard*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.auditor.state.oh.us

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 28, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 28, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Wilmington City School District, Clinton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Wilmington City School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Wilmington City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-001.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



Dave Yost
Auditor of State

February 28, 2012

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster, CFDA # 84.027, 84.391, 84.392 and 84.173 State Fiscal Stabilization Fund CFDA # 84.394 Education Technology State Grants Cluster, Recovery Act CFDA # 84.386, 84.318 Nutrition Cluster CFDA# 10.553, 10.555, 10.558
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2011-001

Noncompliance / Significant Deficiency – 1512 Vendor Reporting

Finding Number	2011-001
CFDA Title and Number	Education Technology State Grants Cluster, Recovery Act CFDA # 84.386, 84.318
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512(b) & (c) requires any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512(c)(4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education’s American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During the fiscal year ended June 30, 2011, the District purchased the following with monies from the Education Technology State Grants Cluster (Enhancing Education through Technology Program, CFDA # 84.318 and #84.386) ARRA monies, but failed to report such on the 1512 report.

Check Number	Date	Company	Description	Amount
35512	11/5/2010	Apple Computer	Computers, I-Pads, Cases	\$59,749.59
35614	11/18/2010	CDW Government	Notebooks with software	\$63,159.13

The District should report all vendors receiving single payments of \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report.

**FINDING NUMBER 2011-001
(Continued)**

Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding. The District should report all vendors receiving single payments of \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report.

Officials' Response and Corrective Action Plan:

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-001	The School District will insure that all future ARRA SECTION 1512 (b) and (C) vendor reporting will be done correctly by having the survey reviewed by the Superintendent before submission.	6/30/2012	Kim DeWeese, Treasurer

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Wilmington City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on 10/18/10 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board 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 "Dave Yost".

Dave Yost
Auditor of State

February 28, 2012

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Dave Yost • Auditor of State

WILMINGTON CITY SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2012