



Dave Yost • Auditor of State

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position as of June 30, 2015	17
Statement of Activities – For the Fiscal Year Ended June 30, 2015	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds June 30, 2015.....	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2015	20
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2015	21
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, 2015.....	22
Statement of Fiduciary Net Position – Fiduciary Funds As of Fiscal Year Ended June 30, 2015	23
Statement of Changes in Fiduciary Net Position – Fiduciary Fund For the Fiscal Year Ended June 30, 2015	24
Notes to the Basic Financial Statements	25
Required Supplemental Information	
Schedule of the District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio – Last Two Fiscal Years	54
Schedule of the District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio – Last Two Fiscal Years.....	55
Schedule of District Contributions State Teachers Retirement System of Ohio – Last Ten Fiscal Years	56
Schedule of District Contributions School Employee Retirement System of Ohio – Last Ten Fiscal Years	57
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund For the Fiscal Year Ended June 30, 2015	58

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Notes to the Required Supplementary Information.....	59
Schedule of Federal Awards Receipts and Expenditures.....	61
Notes to Schedule of Federal Awards Receipts and Expenditures	62
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	63
Independent Auditors' Report on Compliance with requirements Applicable to Major Federal Programs and Internal Control Over Compliance Required by OMB Circular A-133	65
Schedule of Findings.....	67
Prior Year Schedule of Findings	69



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Wilmington City School District, Clinton County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard Board (GASB) Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, Required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Columbus, Ohio

March 23, 2016

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Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(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, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$2,909,966 which represents a 15% increase from 2014.
- General revenues accounted for \$25,402,913 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,070,198 or 19% of total revenues of \$31,473,111.
- The District had \$28,563,145 in expenses related to governmental activities; \$6,070,198 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$25,402,913 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 Position* 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 Fund is the major fund of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015." 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 position* and changes in those assets. This change in net position 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

**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)**

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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

The District as a Whole

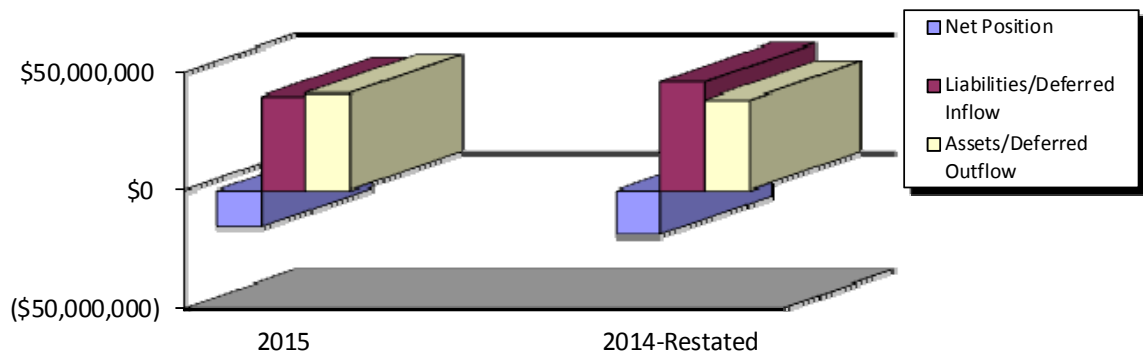
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

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**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)**

Table 1
Net Position

	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$26,207,441	\$23,400,542
Capital Assets	14,646,249	14,963,618
Total Assets	40,853,690	38,364,160
Deferred Outflows of Resources:		
Pension	2,368,441	1,992,336
Total Deferred Outflows of Resources	2,368,441	1,992,336
Liabilities:		
Other Liabilities	2,287,777	2,547,505
Long-Term Liabilities	37,631,957	43,391,439
Total Liabilities	39,919,734	45,938,944
Deferred Inflows of Resources:		
Property Taxes	13,429,731	13,134,651
Grants and Other Taxes	25,000	78,667
Pension	5,733,466	0
Total Deferred Inflows of Resources	19,188,197	13,213,318
Net Position:		
Net Investment in Capital Assets	9,876,328	10,263,869
Restricted	3,098,861	2,337,511
Unrestricted	(28,860,989)	(31,397,146)
Total Net Position	(\$15,885,800)	(\$18,795,766)



Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)

pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$16,814,206 to \$(18,795,766).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets exceeded liabilities and deferred inflows of resources by \$(15,885,800).

At year-end, capital assets represented 36% 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, 2015, was \$9,876,328. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,098,861 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 position for fiscal years 2015 and 2014.

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Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014-Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,283,766	\$1,185,270
Operating Grants, Contributions	4,786,432	3,699,244
General Revenues:		
Income Taxes	3,909,039	3,931,581
Property Taxes	10,231,632	9,466,392
Grants and Entitlements	10,115,524	10,052,511
Other	1,146,718	480,935
Total Revenues	31,473,111	28,815,933
Program Expenses:		
Instruction	17,820,770	17,732,301
Support Services:		
Pupil and Instructional Staff	1,973,071	2,164,888
School Administrative, General		
Administration, Fiscal and Business	2,481,417	2,508,267
Operations and Maintenance	2,648,193	2,336,432
Pupil Transportation	1,409,373	1,554,400
Central	109,291	139,930
Operation of Non-Instructional Services	1,380,993	1,454,747
Extracurricular Activities	512,817	498,326
Interest and Fiscal Charges	227,220	246,581
Total Program Expenses	28,563,145	28,635,872
Change in Net Position	2,909,966	180,061
Net Position - Beginning of Year, Restated	(18,795,766)	N/A
Net Position - End of Year	(\$15,885,800)	(\$18,795,766)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,992,336 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$1,539,566. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

**Wilmington City School District
Management’s Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)**

Total 2015 program expenses under GASB 68	\$28,563,145
Program expenses under GASB 68	(1,539,566)
2015 contractually required contributions	<u>2,069,700</u>
Adjusted 2015 program expenses	29,093,279
Total 2014 program expenses under GASB 27	28,635,872
Increase in program expenses not related to pension	<u>\$457,407</u>

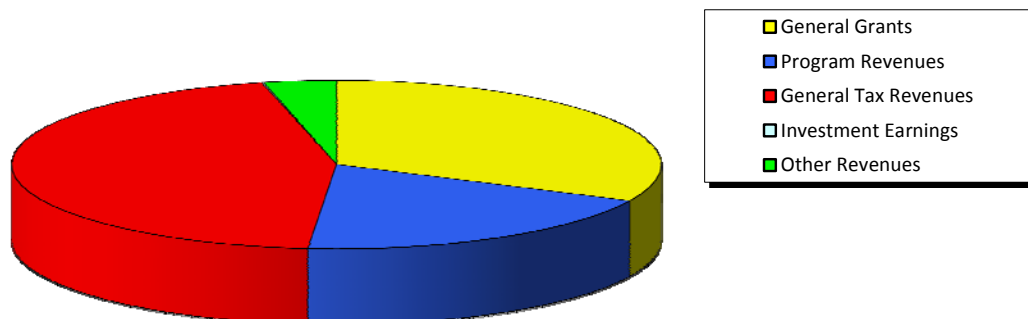
The District revenues are mainly from three sources. Income taxes, property taxes levied for general, special revenue, debt services, and capital projects purposes and grants and entitlements comprised 77% of the District’s revenues for governmental activities.

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 2015.

Make up of revenues for the District:

Revenue Sources	2015	Percent of Total
General Grants	\$10,115,524	32.1%
Program Revenues	6,070,198	19.3%
General Tax Revenues	14,140,671	44.9%
Investment Earnings	24,640	0.1%
Other Revenues	<u>1,122,078</u>	<u>3.6%</u>
	<u>\$31,473,111</u>	<u>100.0%</u>



Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)

Instruction comprises 62.4% of governmental program expenses. Support services expenses were 30.2% of governmental program expenses. All other expenses including interest expense were 7.4%. 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 2015 compared to 2014. Total Expenses increased from 2014 due to an increase in instruction.

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	
	2015	2014	2015	2014
Instruction	\$17,820,770	\$17,732,301	(\$13,492,241)	(\$14,555,317)
Support Services:				
Pupil and Instructional Staff	1,973,071	2,164,888	(1,807,165)	(2,022,436)
School Administrative, General				
Administration, Fiscal and Business	2,481,417	2,508,267	(2,443,197)	(2,485,989)
Operations and Maintenance	2,648,193	2,336,432	(2,644,406)	(2,332,932)
Pupil Transportation	1,409,373	1,554,400	(1,353,400)	(1,490,677)
Central	109,291	139,930	(88,975)	(124,412)
Operation of Non-Instructional Services	1,380,993	1,454,747	(13,144)	(86,630)
Extracurricular Activities	512,817	498,326	(423,199)	(406,384)
Interest and Fiscal Charges	227,220	246,581	(227,220)	(246,581)
Total Expenses	\$28,563,145	\$28,635,872	(\$22,492,947)	(\$23,751,358)

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$22,070,768 (84%) of the total \$26,221,441 governmental funds' assets.

General Fund: Fund balance at June 30, 2015 was \$6,410,268 including \$5,629,692 of unassigned balance. The primary reason for the increase in fund balance was due to the District continuing effort to control expenses throughout the District.

**Wilmington City School District
Management’s Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)**

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 2015, the District amended its general fund budget during the year. The District’s budgeting systems are designed to tightly control total budgets but provide flexibility for management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$26,396,576, compared to original budget estimates of \$25,364,171. Of this \$1,032,405 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 \$5,465,501.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$14,646,249 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

	Governmental Activities	
	2015	2014
Land	\$624,927	\$624,927
Construction In Progress	\$541,535	\$0
Buildings and Improvements	12,993,643	13,750,842
Equipment	486,144	587,849
Total Net Capital Assets	<u>\$14,646,249</u>	<u>\$14,963,618</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.

Debt

At June 30, 2015, the District had \$5,149,921 in bonds and capital leases outstanding, \$798,129 due within one year. Table 5 summarizes bonds outstanding.

Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)

Table 5
Outstanding Debt, at Year End

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Governmental Activities:		
Wilmington H.S. Addition Renovation	\$0	\$440,000
2006 Refunding Bonds:		
Current Interest Bonds -		
School Improvement	2,680,000	2,730,000
Capital Appreciation Bonds	110,000	110,000
Capital Appreciation Bonds - Compounding Interest	380,000	305,057
Premium on 2006 Refunding Bonds	92,356	107,749
2012 QSCB Bonds	220,000	235,000
Capital Leases	<u>1,667,565</u>	<u>1,077,000</u>
Total Bonds and Capital Leases	<u>\$5,149,921</u>	<u>\$5,004,806</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 had failed, it would have yielded a revenue shortfall of \$3,600,000 and had a detrimental impact on staffing and educational programs. The City of Wilmington and Union Township are steadily increasing jobs after losing 8,000 jobs in 2009 when DHL relocated its primary hub to Kentucky. Through the joint efforts of the City, County, and State partnerships, as well as a Shop Local Program, the unemployment rate has been decreasing as the focus has been on creating jobs and retaining local employment. Since the District relied on a one-percent income tax, revenues have begun to increase.

Property tax receipts are another source of funding. While home values have declined over the past four years, the Wilmington Port Authority has been aggressively pursuing employers to occupy the Airpark and surrounding properties. The City is also being proactive in recruiting employers to the area, marketing an air park and its proximity to three major metropolitan areas. With these efforts, occupancy at the Air Park and the Port Authority has increased and vacated properties once again actively marketed for lease or sale. In addition, a new pipeline had been completed this year and the District anticipates generating new public utility personal property revenue adding to the approximately \$600,000 per year from the previous installed pipeline. While there is still a long way to go, this is a significant change of direction from the DHL closure in 2009.

State funding which represents about 40% of the District's resources was increased for FY15 and FY16 with the new biennial budget. The District is projected to receive an additional \$525,000 in both FY16 and FY17. The State provides basic support as well as reimbursement for the loss in tangible personal property tax. The reimbursement for TPP is still being provided by the State for FY16 but H.B. 64 resumed the phase out of this reimbursement which begins in FY17.

**Wilmington City School District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2015
(Unaudited)**

The District has started to bring back programs and Teachers after making numerous staffing and operational cuts over the past few years. Employees were given a 2% increase to the base for 2015 after not receiving any increases to the salary schedule for the past four years. The District has experienced a high turnover of approximately 25 staff members per year over the past two years, which allowed the District to reduce payroll due to retirements and hiring more entry level teachers. The District receipted \$1,974,774 more than it expended in FY2015, and revenues are projected to exceed expenses in FY2016.

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 Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$8,545,577
Restricted Cash and Investments	57,982
Receivables (Net):	
Taxes	16,405,699
Accounts	705,819
Interest	7,691
Intergovernmental	471,017
Inventory	13,656
Nondepreciable Capital Assets	1,166,462
Depreciable Capital Assets, Net	<u>13,479,787</u>
 Total Assets	 <u>40,853,690</u>
Deferred Outflows of Resources:	
Pension	<u>2,368,441</u>
 Total Deferred Outflows of Resources	 <u>2,368,441</u>
Liabilities:	
Accounts Payable	213,421
Accrued Wages and Benefits	2,059,995
Accrued Interest Payable	14,361
Long-Term Liabilities:	
Due Within One Year	931,360
Due In More Than One Year:	
Net Pension Liability	31,714,812
Other Amounts	<u>4,985,785</u>
 Total Liabilities	 <u>39,919,734</u>
Deferred Inflows of Resources:	
Property Taxes	13,429,731
Grants and Other Taxes	25,000
Pension	<u>5,733,466</u>
 Total Deferred Inflows of Resources	 <u>19,188,197</u>
Net Position:	
Net Investment in Capital Assets	9,876,328
Restricted for:	
Debt Service	849,094
Capital Projects	87,237
Classroom Facilities Maintenance	1,138,417
Food Service	50,869
Student Activity	51,684
Auxiliary Services	6,265
Federal Grants	233,041
Other Purposes	682,254
Unrestricted	<u>(28,860,989)</u>
 Total Net Position	 <u><u>(\$15,885,800)</u></u>

See accompanying notes to the basic financial statements.

Wilmington City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$12,592,683	\$702,748	\$662,560	(\$11,227,375)
Special	3,694,117	41,092	2,505,483	(1,147,542)
Vocational	268,923	0	72,875	(196,048)
Other	1,265,047	0	343,771	(921,276)
Support Services:				
Pupil	1,186,606	0	62,942	(1,123,664)
Instructional Staff	786,465	0	102,964	(683,501)
General Administration	94,789	0	0	(94,789)
School Administration	1,513,931	0	0	(1,513,931)
Fiscal	696,030	0	38,220	(657,810)
Business	176,667	0	0	(176,667)
Operations and Maintenance	2,648,193	3,787	0	(2,644,406)
Pupil Transportation	1,409,373	0	55,973	(1,353,400)
Central	109,291	0	20,316	(88,975)
Operation of Non-Instructional Services	1,380,993	446,521	921,328	(13,144)
Extracurricular Activities	512,817	89,618	0	(423,199)
Interest and Fiscal Charges	227,220	0	0	(227,220)
Totals	\$28,563,145	\$1,283,766	\$4,786,432	(22,492,947)

General Revenues:

Income Taxes	3,909,039
Property Taxes Levied for:	
General Purposes	9,517,900
Special Revenue Purposes	186,139
Debt Service Purposes	439,660
Capital Projects Purposes	87,933
Grants and Entitlements, Not Restricted	10,115,524
Revenue in Lieu of Taxes	7,644
Unrestricted Contributions	818,100
Investment Earnings	24,640
Other Revenues	296,334

Total General Revenues 25,402,913

Change in Net Position 2,909,966

Net Position - Beginning of Year, Restated (18,795,766)

Net Position - End of Year (\$15,885,800)

See accompanying notes to the basic financial statements.

Wilmington City School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$6,261,348	\$2,284,229	\$8,545,577
Restricted Cash and Investments	57,982	0	57,982
Receivables (Net):			
Taxes	15,644,511	761,188	16,405,699
Accounts	44,809	661,010	705,819
Interest	7,691	0	7,691
Intergovernmental	40,427	430,590	471,017
Interfund	14,000	0	14,000
Inventory	0	13,656	13,656
Total Assets	22,070,768	4,150,673	26,221,441
Liabilities:			
Accounts Payable	160,351	53,070	213,421
Accrued Wages and Benefits	1,774,545	285,450	2,059,995
Compensated Absences	38,004	0	38,004
Interfund Payable	0	14,000	14,000
Total Liabilities	1,972,900	352,520	2,325,420
Deferred Inflows of Resources:			
Property Taxes	13,660,762	713,696	14,374,458
Grants and Other Taxes	25,000	218,400	243,400
Unavailable	0	657,500	657,500
Investment Earnings	1,838	0	1,838
Total Deferred Inflows of Resources	13,687,600	1,589,596	15,277,196
Fund Balances:			
Restricted	0	2,227,021	2,227,021
Assigned	780,576	0	780,576
Unassigned	5,629,692	(18,464)	5,611,228
Total Fund Balances	6,410,268	2,208,557	8,618,825
Total Liabilities, Deferred Inflows and Fund Balances	\$22,070,768	\$4,150,673	\$26,221,441

See accompanying notes to the basic financial statements.

Wilmington City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balance		\$8,618,825
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		14,646,249
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	944,727	
Interest	1,838	
Intergovernmental	218,400	
Other Receivables	657,500	
Delinquent Property Taxes		1,822,465
In the statement of net position 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.		
		(14,361)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(729,220)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	2,368,441	
Deferred inflows of resources related to pensions	(5,733,466)	
		(3,365,025)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(31,714,812)	
Other Amounts	(5,149,921)	
		<u>(36,864,733)</u>
Net Position of Governmental Activities		<u>(\$15,885,800)</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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$9,524,718	\$714,469	\$10,239,187
Income Taxes	3,909,039	0	3,909,039
Tuition and Fees	743,840	0	743,840
Investment Earnings	21,125	1,677	22,802
Intergovernmental	11,853,707	2,829,850	14,683,557
Extracurricular Activities	0	89,618	89,618
Charges for Services	22,615	423,906	446,521
Revenue in Lieu of Taxes	7,644	0	7,644
Donations	0	160,600	160,600
Other Revenues	271,632	28,488	300,120
Total Revenues	26,354,320	4,248,608	30,602,928
Expenditures:			
Current:			
Instruction:			
Regular	11,729,305	291,455	12,020,760
Special	2,414,758	1,289,424	3,704,182
Vocational	285,300	0	285,300
Other	1,196,958	70,876	1,267,834
Support Services:			
Pupil	1,138,693	63,707	1,202,400
Instructional Staff	691,194	104,997	796,191
General Administration	94,606	0	94,606
School Administration	1,444,982	0	1,444,982
Fiscal	680,334	22,942	703,276
Business	185,669	0	185,669
Operations and Maintenance	2,491,981	0	2,491,981
Pupil Transportation	1,355,739	3,460	1,359,199
Central	91,394	0	91,394
Operation of Non-Instructional Services	6,592	1,383,607	1,390,199
Extracurricular Activities	442,954	70,286	513,240
Capital Outlay	33,754	1,018,829	1,052,583
Debt Service:			
Principal Retirement	83,000	728,560	811,560
Interest and Fiscal Charges	5,845	162,803	168,648
Total Expenditures	24,373,058	5,210,946	29,584,004
Excess of Revenues Over (Under) Expenditures	1,981,262	(962,338)	1,018,924
Other Financing Sources (Uses):			
Proceeds of Capital Leases	0	897,125	897,125
Transfers In	0	93,253	93,253
Transfers (Out)	0	(93,253)	(93,253)
Total Other Financing Sources (Uses)	0	897,125	897,125
Net Change in Fund Balance	1,981,262	(65,213)	1,916,049
Fund Balance - Beginning of Year	4,429,006	2,273,770	6,702,776
Fund Balance - End of Year	\$6,410,268	\$2,208,557	\$8,618,825

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, 2015

Net Change in Fund Balance - Total Governmental Funds \$1,916,049

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	938,894	
Depreciation Expense	<u>(1,256,263)</u>	(317,369)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	2,069,700	
Cost of benefits earned net of employee contributions	<u>(1,539,565)</u>	530,135

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

Delinquent Property Taxes	(7,555)	
Interest	1,838	
Intergovernmental	218,400	
Other	<u>657,500</u>	870,183

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

811,560

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

978

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	55,105	
Amortization of Bond Premium	15,393	
Bond Accretion	<u>(74,943)</u>	(4,445)

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

(897,125)

Change in Net Position of Governmental Activities

\$2,909,966

See accompanying notes to the basic financial statements.

Wilmington City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$2,947	\$103,224
Receivables (Net):		
Accounts	<u> 0</u>	<u> 3,203</u>
Total Assets	<u> 2,947</u>	<u> 106,427</u>
Liabilities:		
Other Liabilities	<u> 0</u>	<u> 106,427</u>
Total Liabilities	<u> 0</u>	<u> \$106,427</u>
Net Position:		
Held in Trust	<u> 2,947</u>	
Total Net Position	<u> \$2,947</u>	

See accompanying notes to the basic financial statements.

Wilmington City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Other	<u>\$100</u>
Total Additions	<u>100</u>
Deductions:	
Other	<u>741</u>
Total Deductions	<u>741</u>
Change in Net Position	(641)
Net Position - Beginning of Year	<u>3,588</u>
Net Position - End of Year	<u>\$2,947</u>

See accompanying notes to the basic financial statements.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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 123 non-certificated and 180 certificated teaching personnel and 17 administrative employees to provide service to 2,998 students and other community members.

Reporting Entity

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 most significant of the District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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 position. 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 and fiduciary. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

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

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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 funds are an agency fund (Student Managed Activity Fund) which accounts for assets and liabilities generated by student managed activities, which has students involved in the management of them and a private purpose trust which accounts for scholarship programs for students.

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 inflows, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'). Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$21,125 and \$1,677 in the other governmental funds.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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 position but are not reported in the fund financial statements.

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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	10-20 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	250 days	250 days	240 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$3,098,861 in restricted net position, 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 position.

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.

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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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 uses.

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 position when due.

Estimates

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

Note 3 – Equity in Pooled Cash and Investments

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:

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

- (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.

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".

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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, 2015, \$7,578,675 of the District’s bank balance of \$8,761,094 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

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

Investments

As of June 30, 2015, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)
Money Market Fund	<u>\$7,156</u>	0.00
	<u><u>\$7,156</u></u>	
Portfolio Weighted Average Maturity		0

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Money Market Funds and Negotiable CD’s are not rated.

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

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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 and public utility 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 real property at 35 percent of true value.

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. The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2016 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 and public utility taxes that became measurable as of June 30, 2015. 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 inflows of resources for that portion not intended to finance \$628,277 in the General Fund and \$47,492 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2015 were based as follows:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$456,719,670
Public Utility Personal	<u>39,097,770</u>
Total	<u><u>\$495,817,440</u></u>

Note 5 – Receivables

Receivables at June 30, 2015, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$624,927	\$0	\$0	\$624,927
Construction in Progress	0	541,535	0	541,535
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	31,111,751	314,526	0	31,426,277
Equipment	6,445,598	82,833	0	6,528,431
Totals at Historical Cost	<u>\$38,182,276</u>	<u>\$938,894</u>	<u>\$0</u>	<u>\$39,121,170</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$17,360,909	\$1,071,725	\$0	\$18,432,634
Equipment	5,857,749	184,538	0	6,042,287
Total Accumulated Depreciation	<u>23,218,658</u>	<u>1,256,263</u>	<u>0</u>	<u>24,474,921</u>
Governmental Activities Capital Assets, Net	<u>\$14,963,618</u>	<u>(\$317,369)</u>	<u>\$0</u>	<u>\$14,646,249</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$788,027
Special	78,366
Vocational	10,717
Support Services:	
Instructional Staff	5,361
General Administration	1,097
School Administration	117,890
Operations and Maintenance	113,375
Pupil Transportation	95,658
Central	32,152
Operation of Non-Instructional Services	8,464
Extracurricular Activities	5,156
Total Depreciation Expense	<u>\$1,256,263</u>

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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%	\$440,000	\$0	\$440,000	\$0	\$0
2006 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	3.50%	2,730,000	0	50,000	2,680,000	0
Capital Appreciation Bonds		110,000	0	0	110,000	110,000
Capital Appreciation Bonds		305,057	74,943	0	380,000	380,000
Premium on 2006 Refunding Bonds		107,749	0	15,393	92,356	0
2012 QSCB Bonds	5.85%	235,000	0	15,000	220,000	15,000
Total General Obligation Bonds		3,927,806	74,943	520,393	3,482,356	505,000
Net Pension Liability:						
STRS		30,669,792	0	4,853,155	25,816,637	0
SERS		6,932,516	0	1,034,341	5,898,175	0
Total Net Pension Liability		37,602,308	0	5,887,496	31,714,812	0
Capital Leases		1,077,000	897,125	306,560	1,667,565	293,129
Total Long Term Debt		42,607,114	972,068	6,714,449	36,864,733	798,129
Compensated Absences		784,325	102,718	119,819	767,224	133,231
Total Governmental Activities		<u>\$43,391,439</u>	<u>\$1,074,786</u>	<u>\$6,834,268</u>	<u>\$37,631,957</u>	<u>\$931,360</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.

In 1998, the District issued long-term general obligation bonds in the amount of \$8,440,000 at a rate of 4.98% for the purpose of the Wilmington High School Addition and Renovations. The bonds will be retired in 2020. In 2006, the District refinanced \$3,165,000 of the Series 1998 Bonds at a reduced interest rate of 3.5% in order to save the taxpayers approximately \$195,000. This general obligation is paid out of the bond retirement fund.

In 2012, the Board approved the allocation of bonds in the amount of \$265,000 from the Ohio School Facilities Commission through the 2010 Qualified School Construction Bond Program. The bonds were awarded to the District on May 27, 2011. They will be used to fund improvement to the HVAC systems in the Middle School and High School. The interest rate on the bonds is 5.85% but the District will receive QSCB subsidy refunds on the interest paid through the federal government. The bonds will be retired in 2025 and this obligation is paid out of the 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, 2015

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$15,000	\$119,631	\$134,631	\$110,000	\$380,000	\$490,000
2017	515,000	108,754	623,754	0	0	0
2018	525,000	87,676	612,676	0	0	0
2019	555,000	65,753	620,753	0	0	0
2020	575,000	42,783	617,783	0	0	0
2021-2025	690,000	35,879	725,879	0	0	0
2026	25,000	731	25,731	0	0	0
Total	<u>\$2,900,000</u>	<u>\$461,207</u>	<u>\$3,361,207</u>	<u>\$110,000</u>	<u>\$380,000</u>	<u>\$490,000</u>

Note 8 – Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2015, \$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 \$85,000.

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

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

The District began making principal payments in fiscal year 2011. The principal amount owed on the lease at fiscal year end is \$823,000.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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 District also has entered into a lease-purchase agreement that relates to constructing, renovating, furnishing, and equipping Alumni Field. The District is leasing the project from PNC Bank. PNC Bank will retain title to the project during the lease term. PNC Bank deposited \$897,125 in the District's name for the project. The District began making principal payments in fiscal year 2015.

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
2016	\$348,498
2017	261,829
2018	260,868
2019	260,777
2020	260,851
2021-2023	507,579
Total Minimum Lease Payments	1,900,402
Less: Amount Representing Interest	(232,837)
Less: Additional Program Cost Component	0
Present Value of Minimum Lease Payments	<u>\$1,667,565</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	2,758,567

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$585,313 for fiscal year 2015. Of this amount \$110,986 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,484,387 for fiscal year 2015. Of this amount \$245,776 is reported as accrued wages and benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,898,175	\$25,816,637	\$31,714,812
Proportion of the Net Pension Liability	0.11654300%	0.10613883%	
Pension Expense	346,861	1,192,705	1,539,566

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$50,200	\$248,541	\$298,741
District contributions subsequent to the measurement date	<u>585,313</u>	<u>1,484,387</u>	<u>2,069,700</u>
Total Deferred Outflows of Resources	<u>\$635,513</u>	<u>\$1,732,928</u>	<u>\$2,368,441</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$957,290</u>	<u>\$4,776,176</u>	<u>\$5,733,466</u>

\$2,069,700 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$226,772)	(\$1,131,908)	(\$1,358,680)
2017	(226,772)	(1,131,909)	(1,358,681)
2018	(226,773)	(1,131,909)	(1,358,682)
2019	<u>(226,773)</u>	<u>(1,131,909)</u>	<u>(1,358,682)</u>
Total	<u>(\$907,090)</u>	<u>(\$4,527,635)</u>	<u>(\$5,434,725)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$8,414,943	\$5,898,175	\$3,781,356

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$36,959,330	\$25,816,637	\$16,393,668

Note 11 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$62,210.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$96,492, \$7,286, and \$7,003, respectively. For fiscal year 2015, 81 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$102,597, and \$114,777 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

Note 12 – Contingent Liabilities

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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, 2015.

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 Council 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 Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of Superintendents from the seventeen school districts, plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents as well as three parents of handicapped children in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and a considerable number of Federal and State Grants. Complete financial statements can be obtained from Hopewell located at 5350 West New Market Road, Hillsboro, Ohio 45133.

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 \$4,000,000 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 \$66,549,972. For the last three years, the amount of settlement did not exceed insurance coverage.

Note 15 – Accountability

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

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Special Revenue:	
IDEA Preschool Grant	\$590
Improving Teacher Quality	9,057
Special Education	8,817

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, 2015

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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2014	\$0	\$57,982
Current Year Set Aside Requirement	526,012	0
Qualified Disbursements	(550,491)	0
Current Year Offsets	0	0
Set Aside Reserve Balance as of June 30, 2015	<u>(\$24,479)</u>	<u>\$57,982</u>

Expenditures for capital activity during the year totaled \$595,806.

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.

Note 17 – Interfund Transactions/Transfers

Interfund transactions at June 30, 2015, consisted of the following interfund receivables and interfund payables:

	Interfund	
	Receivable	Payable
General Fund	\$14,000	\$0
Other Governmental Funds	<u>0</u>	<u>14,000</u>
Total All Funds	<u>\$14,000</u>	<u>\$14,000</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.

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

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	Other Governmental Funds	Total
Restricted for:			
Hopewell Grant	0	26,290	26,290
Student Activity	0	51,684	51,684
Auxiliary Services	0	6,265	6,265
Vocational Education	0	2,139	2,139
Title I	0	21,669	21,669
Food Service	0	97,089	97,089
Classroom Facilities Maintenance	0	1,121,533	1,121,533
Debt Service	0	818,430	818,430
Permanent Improvement	0	81,922	81,922
Total Restricted	0	2,227,021	2,227,021
Assigned to:			
Encumbrances	681,448	0	681,448
Budgetary Resources	99,128	0	99,128
Total Assigned	780,576	0	780,576
Unassigned (Deficit)	5,629,692	(18,464)	5,611,228
Total Fund Balance	\$6,410,268	\$2,208,557	\$8,618,825

Note 19 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the

Wilmington City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015

beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Note 20 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$16,814,206
Adjustments:	
Net Pension Liability	(37,602,308)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,992,336</u>
Restated Net Position June 30, 2014	<u><u>(\$18,795,766)</u></u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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REQUIRED SUPPLEMENTARY INFORMATION

Wilmington City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.10613883%	0.10613883%
District's Proportionate Share of the Net Pension Liability	\$25,816,637	\$30,669,792
District's Covered-Employee Payroll	\$11,678,646	\$12,360,554
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	248.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Wilmington City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.116543%	0.116543%
District's Proportionate Share of the Net Pension Liability	\$5,898,175	\$6,932,516
District's Covered-Employee Payroll	\$3,420,722	\$4,427,341
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.42%	156.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Wilmington City School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$1,484,388	\$1,518,224	\$1,606,872	\$1,732,404	\$1,755,084	\$1,758,660	\$1,676,400	\$1,780,860	\$1,740,192	\$1,636,872
Contributions in Relation to the Contractually Required Contribution	(1,484,388)	(1,518,224)	(1,606,872)	(1,732,404)	(1,755,084)	(1,758,660)	(1,676,400)	(1,780,860)	(1,740,192)	(1,636,872)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$10,602,771	\$11,678,646	\$12,360,554	\$13,326,185	\$13,500,646	\$13,528,154	\$12,895,385	\$13,698,923	\$13,386,092	\$12,591,323
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Wilmington City School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years (1)

	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$585,312	\$474,112	\$612,744	\$619,560	\$594,576	\$524,196	\$544,548	\$507,708
Contributions in Relation to the Contractually Required Contribution	(585,312)	(474,112)	(612,744)	(619,560)	(594,576)	(524,196)	(544,548)	(507,708)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$4,440,910	\$3,420,722	\$4,427,341	\$4,606,394	\$4,730,119	\$3,871,462	\$5,534,024	\$5,170,143
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

(1) - Information prior to 2008 is not available

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, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,934,160	\$13,460,623	\$13,450,639	(\$9,984)
Revenue in lieu of taxes	7,350	7,650	7,644	(6)
Tuition and Fees	715,278	744,392	743,840	(552)
Investment Earnings	12,559	13,070	13,060	(10)
Intergovernmental	11,515,330	11,984,041	11,975,153	(8,888)
Charges for Services	21,747	22,632	22,615	(17)
Other Revenues	157,747	164,168	164,046	(122)
Total Revenues	25,364,171	26,396,576	26,376,997	(19,579)
Expenditures:				
Current:				
Instruction:				
Regular	12,018,968	12,018,968	11,803,904	215,064
Special	2,495,861	2,495,861	2,451,201	44,660
Vocational	303,323	303,323	297,895	5,428
Other	1,218,766	1,218,766	1,196,958	21,808
Support Services:				
Pupil	1,205,105	1,205,105	1,183,541	21,564
Instructional Staff	731,902	731,902	718,806	13,096
General Administration	107,047	107,047	105,132	1,915
School Administration	1,487,829	1,487,829	1,461,206	26,623
Fiscal	697,039	697,039	684,566	12,473
Business	194,417	194,417	190,938	3,479
Operations and Maintenance	3,073,604	3,073,604	3,018,606	54,998
Pupil Transportation	1,484,095	1,484,095	1,457,539	26,556
Central	92,581	92,581	90,924	1,657
Operation of Non-Instructional Services	6,712	6,712	6,592	120
Extracurricular Activities	447,006	447,006	439,007	7,999
Debt Service:				
Principal Retirement	83,000	84,512	83,000	1,512
Interest and Fiscal Charges	7,013	5,500	5,402	98
Bond Issuance Cost	451	451	443	8
Total Expenditures	25,654,719	25,654,718	25,195,660	459,058
Excess of Revenues Over (Under) Expenditures	(290,548)	741,858	1,181,337	439,479
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	4,856	5,054	5,050	(4)
Advances In	3,023	3,146	3,144	(2)
Total Other Financing Sources (Uses)	7,879	8,200	8,194	(6)
Net Change in Fund Balance	(282,669)	750,058	1,189,531	439,473
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,275,970	4,275,970	4,275,970	0
Fund Balance End of Year	\$3,993,301	\$5,026,028	\$5,465,501	\$439,473

See accompanying notes to the required supplementary information.

Wilmington City School District
Notes to the Required Supplementary Information
For the year ended June 30, 2015

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 2015.

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 an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

Wilmington City School District
Notes to the Required Supplementary Information
For the year ended June 30, 2015

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

	<u>General</u>
GAAP Basis	\$1,981,262
Revenue Accruals	12,821
Expenditure Accruals	(27,295)
Proceeds of Capital Assets	5,050
Advances In	3,144
Encumbrances	(785,230)
Funds Budgeted Elsewhere	<u>(221)</u>
Budget Basis	<u><u>\$1,189,531</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, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
National School Lunch Program	10.555	\$ 655,130	\$ 97,721	\$ 655,130	\$ 97,721
National School Breakfast Program	10.553	130,897	-----	130,897	-----
<i>Total Nutrition Cluster:</i>		786,027	97,721	786,027	97,721
Total U.S. Department of Agriculture		786,027	97,721	786,027	97,721
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title 1 - FY 15	84.010	803,959	-----	793,160	-----
Title 1 - FY 14	84.010	166,300	-----	170,701	-----
		970,259	-	963,861	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY15	84.027	488,339	-----	483,978	-----
IDEA Part B - FY14	84.027	50,777	-----	68,908	-----
		539,116		552,886	
Educational Handicapped Preschool					
Preschool Subsidy - FY15	84.173	9,565	-----	9,519	-----
Preschool Subsidy - FY14	84.173	904	-----	1,488	-----
		10,469		11,007	
<i>Total Special Education Cluster</i>		549,585	-----	563,893	-----
Additional Programs:					
Rural and Low Income, Title VI-B	84.358	54,511	-----	41,020	-----
Improving Teacher Quality - FY15	84.367	108,500	-----	108,427	-----
Improving Teacher Quality - FY14	84.367	12,045	-----	14,340	-----
		120,545		122,767	
Race to the Top - FY15 - ARRA	84.395	69,503	-----	69,503	-----
Race to the Top - FY14 - ARRA	84.395	3,144	-----	-	-----
		72,647		69,503	
<i>Total Additional Programs</i>		247,703	-----	233,290	-----
<i>Passed through Great Oaks Institute of Technology and Career Development:</i>					
Vocational Education Basic Grants to State					
Career Education - FY15	84.048	6,000	-----	3,857	-----
Career Education - FY14	84.048	-	-----	3,244	-----
<i>Total Vocational Education</i>		6,000	-----	7,101	-----
Total Department of Education		1,773,547	-----	1,768,145	-----
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 2,559,574	\$ 97,721	\$ 2,554,172	\$ 97,721

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, 2015**

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 benefited from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Wilmington City School District, Clinton County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2016, wherein we noted that the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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, opining 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*.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 23, 2016



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INDEPENDENT AUDITOR'S 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 Avenue
Wilmington, Ohio 45177

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Wilmington City School District's (the District) compliance with the applicable 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, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 23, 2016

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2015-001

Material Weakness

The District solicited donations to fund improvements to the Alumni Field. The District entered into non-exchange transactions during 2015 in the form of voluntary donation pledges for the Alumni Field Project totaling \$1,217,100. At June 30, 2015, \$1,047,400 of the pledges were recorded as accounts receivable and deferred inflows. However many of the pledges were not measurable and collection was not probable due to the District having no written documentation of the pledge. Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, Codified in GASB N50, states that recognition of non-exchange transactions in the financial statements is required when the transaction is measurable and collection is probable. The District should have recorded an accounts receivable and deferred inflow in the amount of \$657,500 to accurately reflect the total amount of written pledges to be collected at June 30, 2015.

Failure to accurately report accounts receivable accruals could result in material errors in the District's financial statements and reduces the ability of the Board to monitor financial activity and to make sound financial decisions.

An adjustment has been recorded in the District's financial statements to properly record the receivable. We recommend that the District review GASB 33 and accurately accrue accounts receivable. We also recommend that the District receive written documentation for future pledges.

Officials' Response:

School District Officials are in the process of getting donor cards from all donors that originally gave verbal commitments.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WILMINGTON CITY SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Transportation expenditures related to the Title 1 program were not consistent with the approved budget and there was no approval of cost allocation plan.	Yes	

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WILMINGTON CITY SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 7, 2016