



Dave Yost • Auditor of State



**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT 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, 2017, 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 such 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 opinions.

### ***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, 2017, 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.

**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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2018

**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2017**  
**(Unaudited)**

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The discussion and analysis of Wilmington City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows:

- Net position of governmental activities increased \$268,551 which represents a 1.9% increase from 2016.
- General revenues accounted for \$26,686,994 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,946,716 or 18% of total revenues of \$32,633,710.
- The District had \$32,365,159 in expenses related to governmental activities; \$5,946,716 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$26,686,994 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 2017." The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows*, and *liabilities and deferred inflows* 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.

**Wilmington City School District  
Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2017  
(Unaudited)**

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These two statements report the District's *net position* and changes in net position. 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 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 2017 compared to 2016:

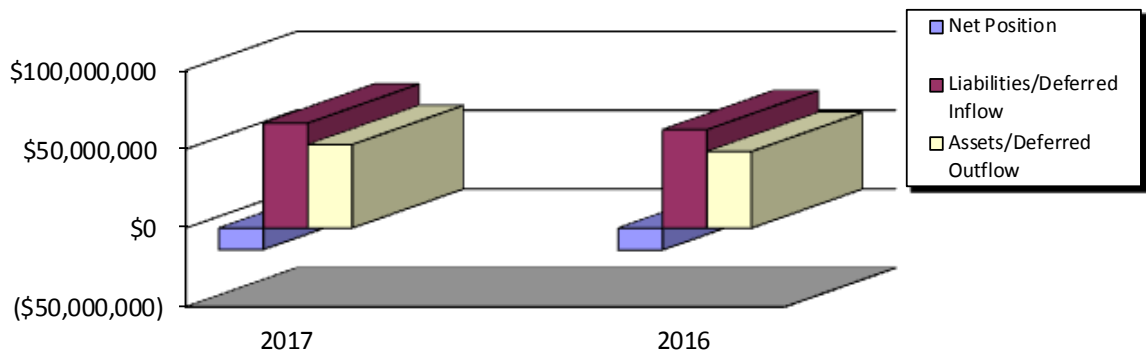
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**Wilmington City School District  
Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2017  
(Unaudited)**

Table 1  
Net Position

	Governmental Activities	
	2017	2016
<b>Assets:</b>		
Current and Other Assets	\$30,519,054	\$28,157,707
Capital Assets	13,952,269	14,907,213
<b>Total Assets</b>	<b>44,471,323</b>	<b>43,064,920</b>
<b>Deferred Outflows of Resources:</b>		
Pension	8,484,238	5,505,531
<b>Total Deferred Outflows of Resources</b>	<b>8,484,238</b>	<b>5,505,531</b>
<b>Liabilities:</b>		
Other Liabilities	2,317,793	2,378,685
Long-Term Liabilities	49,993,975	42,313,630
<b>Total Liabilities</b>	<b>52,311,768</b>	<b>44,692,315</b>
<b>Deferred Inflows of Resources:</b>		
Property Taxes	14,097,578	13,650,258
Grants and Other Taxes	30,168	30,000
Pension	110,287	4,060,669
<b>Total Deferred Inflows of Resources</b>	<b>14,238,033</b>	<b>17,740,927</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	9,534,973	9,599,177
Restricted	2,823,657	3,112,138
Unrestricted	(25,952,870)	(26,574,106)
<b>Total Net Position</b>	<b>(\$13,594,240)</b>	<b>(\$13,862,791)</b>



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$13,594,240.

**Wilmington City School District  
Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2017  
(Unaudited)**

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At year-end, capital assets represented 31% 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, 2017, was \$9,534,973. 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, \$2,823,657 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 additions for the current year being less than depreciation. Long-Term Liabilities increased mainly due to an increase in net pension liability.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

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**Wilmington City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year ended June 30, 2017**  
(Unaudited)

Table 2  
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	\$1,516,486	\$1,412,455
Operating Grants, Contributions	4,430,230	4,512,502
General Revenues:		
Income Taxes	4,119,578	3,926,999
Property Taxes	10,907,696	10,667,603
Grants and Entitlements	11,355,429	10,942,403
Other	304,291	569,184
<b>Total Revenues</b>	<b>32,633,710</b>	<b>32,031,146</b>
Program Expenses:		
Instruction	20,460,092	17,776,902
Support Services:		
Pupil and Instructional Staff	2,171,828	2,037,391
School Administrative, General		
Administration, Fiscal and Business	2,844,807	2,540,184
Operations and Maintenance	3,048,275	2,936,997
Pupil Transportation	1,446,553	2,239,158
Central	111,989	181,063
Operation of Non-Instructional Services	1,404,175	1,403,540
Extracurricular Activities	777,811	709,485
Interest and Fiscal Charges	99,629	132,607
Bond Issuance Cost	0	50,810
<b>Total Program Expenses</b>	<b>32,365,159</b>	<b>30,008,137</b>
<b>Change in Net Position</b>	<b>268,551</b>	<b>2,023,009</b>
<b>Net Position - Beginning of Year</b>	<b>(13,862,791)</b>	<b>(15,885,800)</b>
<b>Net Position - End of Year</b>	<b>(\$13,594,240)</b>	<b>(\$13,862,791)</b>

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 81% 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.

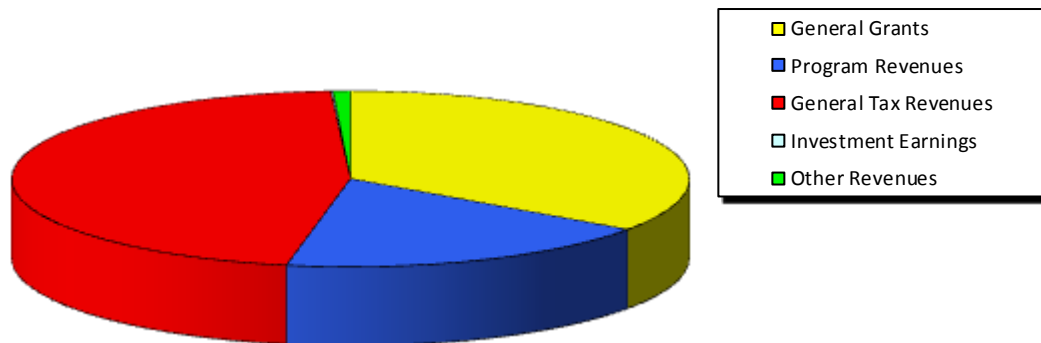
**Wilmington City School District  
Management’s Discussion and Analysis  
For the Fiscal Year ended June 30, 2017  
(Unaudited)**

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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 46% of revenue for governmental activities for the District in fiscal year 2017.

Make up of revenues for the District:

Revenue Sources	2017	Percent of Total
General Grants	\$11,355,429	34.80%
Program Revenues	5,946,716	18.22%
General Tax Revenues	15,027,274	46.05%
Investment Earnings	32,325	0.10%
Other Revenues	271,966	0.83%
	<u>\$32,633,710</u>	<u>100.00%</u>



Instruction comprises 63% of governmental program expenses. Support services expenses were 30% of governmental program expenses. All other expenses including interest expense were 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants decreased mainly due to a decrease in grant monies (intergovernmental revenue) received in 2017 compared to 2016. Total Expenses increased from 2016 due to an increase in instruction expenses.

**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.

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**Wilmington City School District  
Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2017  
(Unaudited)**

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$20,460,092	\$17,776,902	(\$16,294,157)	(\$13,757,064)
Support Services:				
Pupil and Instructional Staff	2,171,828	2,037,391	(2,047,767)	(1,796,941)
School Administrative, General				
Administration, Fiscal and Business	2,844,807	2,540,184	(2,816,657)	(2,523,381)
Operations and Maintenance	3,048,275	2,936,997	(3,043,189)	(2,934,388)
Pupil Transportation	1,446,553	2,239,158	(1,407,735)	(2,183,464)
Central	111,989	181,063	(107,674)	(167,999)
Operation of Non-Instructional Services	1,404,175	1,403,540	(71,483)	(79,927)
Extracurricular Activities	777,811	709,485	(530,152)	(456,599)
Interest and Fiscal Charges	99,629	132,607	(99,629)	(132,607)
Bond Issuance Cost	0	50,810	0	(50,810)
Total Expenses	<u>\$32,365,159</u>	<u>\$30,008,137</u>	<u>(\$26,418,443)</u>	<u>(\$24,083,180)</u>

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$26,590,242 (87%) of the total \$30,534,647 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2017 was \$10,401,809 including \$9,986,987 of unassigned balance, an increase in fund balance of \$2,265,173 from 2016. The primary reason for the increase in fund balance was due to an increase in revenues combined with a decrease in expenses.

**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 2017, 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 \$28,171,447, compared to original budget estimates of \$26,609,276. Of this \$1,562,171 difference, most was due to an underestimate for taxes and intergovernmental revenues.

The District's ending unobligated actual fund balance for the General Fund was \$9,532,115.

**Wilmington City School District  
Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2017  
(Unaudited)**

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017, the District had \$13,952,269 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

---

	Governmental Activities	
	2017	2016
Land	\$624,927	\$624,927
Buildings and Improvements	12,627,045	12,715,228
Equipment	700,297	1,567,058
Total Net Capital Assets	<u>\$13,952,269</u>	<u>\$14,907,213</u>

Overall, capital assets decreased due to current year additions being less than current year depreciation.

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

**Debt**

At June 30, 2017, the District had \$4,417,296 in bonds and capital leases outstanding, \$895,981 due within one year. Table 5 summarizes bonds outstanding.

Table 5  
Outstanding Debt, at Year End

---

	Governmental Activities	
	2017	2016
Governmental Activities:		
2016 General Obligation Bonds	865,000	995,000
2016 Refunding Bonds		
Current Interest Bonds -		
School Improvement	2,160,000	2,680,000
Premium on 2016 Refunding Bonds	42,880	53,600
2012 QSCB Bonds	190,000	205,000
Capital Leases	<u>1,159,416</u>	<u>1,374,436</u>
Total Bonds and Capital Leases	<u>\$4,417,296</u>	<u>\$5,308,036</u>

See Notes 7 and 8 to the Basic Financial Statements for more details on the District's outstanding debt.

**Wilmington City School District  
Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2017  
(Unaudited)**

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**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 the Treasurer at Wilmington City Schools, 341 S. Nelson Avenue, Wilmington, Ohio 45177.

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Wilmington City School District  
Statement of Net Position  
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$11,906,730
Restricted Cash and Investments	57,982
Receivables (Net):	
Taxes	17,280,553
Accounts	857,480
Interest	9,673
Intergovernmental	364,979
Prepays	37,835
Inventory	3,822
Nondepreciable Capital Assets	624,927
Depreciable Capital Assets, Net	<u>13,327,342</u>
 Total Assets	 <u>44,471,323</u>
Deferred Outflows of Resources:	
Pension	<u>8,484,238</u>
 Total Deferred Outflows of Resources	 <u>8,484,238</u>
Liabilities:	
Accounts Payable	101,341
Accrued Wages and Benefits	2,137,730
Contracts Payable	70,482
Accrued Interest Payable	8,240
Long-Term Liabilities:	
Due Within One Year	1,088,547
Due In More Than One Year:	
Net Pension Liability	44,629,821
Other Amounts	<u>4,275,607</u>
 Total Liabilities	 <u>52,311,768</u>
Deferred Inflows of Resources:	
Property Taxes	14,097,578
Grants and Other Taxes	30,168
Pension	<u>110,287</u>
 Total Deferred Inflows of Resources	 <u>14,238,033</u>
Net Position:	
Net Investment in Capital Assets	9,534,973
Restricted for:	
Debt Service	759,010
Capital Projects	20,628
Classroom Facilities Maintenance	994,091
Food Service	7,943
Student Activity	85,452
Auxiliary Services	25,197
Federal Grants	116,130
Other Purposes	815,206
Unrestricted	<u>(25,952,870)</u>
 Total Net Position	 <u><u>(\$13,594,240)</u></u>

See accompanying notes to the basic financial statements.



Wilmington City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$14,667,167	\$791,282	\$616,477	(\$13,259,408)
Special	4,637,718	50,458	2,507,277	(2,079,983)
Vocational	63,012	0	51,044	(11,968)
Other	1,092,195	0	149,397	(942,798)
<b>Support Services:</b>				
Pupil	1,338,823	0	68,166	(1,270,657)
Instructional Staff	833,005	0	55,895	(777,110)
General Administration	123,584	0	0	(123,584)
School Administration	1,689,198	0	0	(1,689,198)
Fiscal	816,239	0	19,544	(796,695)
Business	215,786	0	8,606	(207,180)
Operations and Maintenance	3,048,275	5,086	0	(3,043,189)
Pupil Transportation	1,446,553	0	38,818	(1,407,735)
Central	111,989	0	4,315	(107,674)
Operation of Non-Instructional Services	1,404,175	422,001	910,691	(71,483)
Extracurricular Activities	777,811	247,659	0	(530,152)
Interest and Fiscal Charges	99,629	0	0	(99,629)
<b>Total Governmental Activities</b>	<b>32,365,159</b>	<b>1,516,486</b>	<b>4,430,230</b>	<b>(26,418,443)</b>
<b>General Revenues:</b>				
				4,119,578
				Income Taxes
				Property Taxes Levied for:
				General Purposes
				Special Revenue Purposes
				Debt Service Purposes
				Capital Projects Purposes
				Grants and Entitlements, Not Restricted
				Revenue in Lieu of Taxes
				Investment Earnings
				Other Revenues
				156,319
				<b>Total General Revenues</b>
				26,686,994
				Change in Net Position
				268,551
				Net Position - Beginning of Year
				(13,862,791)
				Net Position - End of Year
				<b>(\$13,594,240)</b>

See accompanying notes to the basic financial statements.

Wilmington City School District  
Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$9,880,704	\$2,026,026	\$11,906,730
Restricted Cash and Investments	57,982	0	57,982
<b>Receivables (Net):</b>			
Taxes	16,472,826	807,727	17,280,553
Accounts	90,290	767,190	857,480
Interest	9,673	0	9,673
Intergovernmental	30,168	334,811	364,979
Interfund	15,593	0	15,593
Prepays	33,006	4,829	37,835
Inventory	0	3,822	3,822
<b>Total Assets</b>	<b>26,590,242</b>	<b>3,944,405</b>	<b>30,534,647</b>
<b>Liabilities:</b>			
Accounts Payable	88,707	12,634	101,341
Accrued Wages and Benefits	1,848,204	289,526	2,137,730
Compensated Absences	19,124	4,884	24,008
Contracts Payable	0	70,482	70,482
Interfund Payable	0	15,593	15,593
<b>Total Liabilities</b>	<b>1,956,035</b>	<b>393,119</b>	<b>2,349,154</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	14,195,820	749,497	14,945,317
Grants and Other Taxes	30,168	324,648	354,816
Unavailable	0	760,700	760,700
Investment Earnings	6,410	0	6,410
<b>Total Deferred Inflows of Resources</b>	<b>14,232,398</b>	<b>1,834,845</b>	<b>16,067,243</b>
<b>Fund Balances:</b>			
Nonspendable	33,006	4,829	37,835
Restricted	0	1,932,104	1,932,104
Assigned	381,816	0	381,816
Unassigned	9,986,987	(220,492)	9,766,495
<b>Total Fund Balances</b>	<b>10,401,809</b>	<b>1,716,441</b>	<b>12,118,250</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$26,590,242</b>	<b>\$3,944,405</b>	<b>\$30,534,647</b>

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, 2017

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Total Governmental Fund Balance		\$12,118,250
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		13,952,269
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	847,739	
Interest	6,410	
Intergovernmental	324,648	
Other Receivables	760,700	
Delinquent Property Taxes		1,939,497
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.		
		(8,240)
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		(922,850)
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	8,484,238	
Deferred inflows of resources related to pensions	(110,287)	
		8,373,951
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(44,629,821)	
Other Amounts	(4,417,296)	
		(49,047,117)
Net Position of Governmental Activities		<u>(\$13,594,240)</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, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$10,156,401	\$751,295	\$10,907,696
Income Taxes	4,119,578	0	4,119,578
Tuition and Fees	841,740	0	841,740
Investment Earnings	29,639	2,350	31,989
Intergovernmental	12,894,754	2,759,789	15,654,543
Extracurricular Activities	0	247,659	247,659
Charges for Services	4,264	417,737	422,001
Revenue in Lieu of Taxes	115,647	0	115,647
Donations	0	113,795	113,795
Other Revenues	139,543	21,672	161,215
<b>Total Revenues</b>	<b>28,301,566</b>	<b>4,314,297</b>	<b>32,615,863</b>
Expenditures:			
Current:			
Instruction:			
Regular	12,869,651	239,165	13,108,816
Special	2,957,185	1,454,828	4,412,013
Vocational	59,904	0	59,904
Other	1,027,746	60,534	1,088,280
Support Services:			
Pupil	1,198,148	68,695	1,266,843
Instructional Staff	730,236	64,886	795,122
General Administration	122,557	0	122,557
School Administration	1,573,282	0	1,573,282
Fiscal	747,607	25,300	772,907
Business	185,635	8,606	194,241
Operations and Maintenance	2,445,442	0	2,445,442
Pupil Transportation	1,332,938	4,995	1,337,933
Central	123,775	0	123,775
Operation of Non-Instructional Services	10,995	1,363,725	1,374,720
Extracurricular Activities	502,117	241,122	743,239
Capital Outlay	0	250,514	250,514
Debt Service:			
Principal Retirement	145,000	735,020	880,020
Interest and Fiscal Charges	17,670	95,794	113,464
<b>Total Expenditures</b>	<b>26,049,888</b>	<b>4,613,184</b>	<b>30,663,072</b>
Excess of Revenues Over (Under) Expenditures	2,251,678	(298,887)	1,952,791
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	13,495	0	13,495
<b>Total Other Financing Sources (Uses)</b>	<b>13,495</b>	<b>0</b>	<b>13,495</b>
Net Change in Fund Balance	2,265,173	(298,887)	1,966,286
Fund Balance - Beginning of Year	8,136,636	2,015,328	10,151,964
Fund Balance - End of Year	\$10,401,809	\$1,716,441	\$12,118,250

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, 2017

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Net Change in Fund Balance - Total Governmental Funds \$1,966,286

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	291,465	
Depreciation Expense	<u>(1,246,409)</u>	(954,944)

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	2,190,809	
Cost of benefits earned net of employee contributions	<u>(3,629,202)</u>	(1,438,393)

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

Interest	336	
Intergovernmental	131,116	
Other	<u>(127,100)</u>	4,352

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position. 880,020

In the statement of activities interest expense is accrued when incurred;  
 whereas, in governmental funds an interest expenditure is reported  
 when due. 3,115

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	(202,605)	
Amortization of Bond Premium	<u>10,720</u>	
Compensated Absences		<u>(191,885)</u>

Change in Net Position of Governmental Activities \$268,551

See accompanying notes to the basic financial statements.

Wilmington City School District  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2017

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$3,876	\$120,940
Receivables (Net):		
Accounts	0	2,430
Total Assets	<u>3,876</u>	<u>123,370</u>
Liabilities:		
Accounts Payable	0	1,623
Other Liabilities	0	121,747
Total Liabilities	<u>0</u>	<u>\$123,370</u>
Net Position:		
Held in Trust	<u>3,876</u>	
Total Net Position	<u>\$3,876</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, 2017

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	Private Purpose Trust
Additions:	
Other	\$1,000
Total Additions	1,000
Deductions:	
Scholarships	71
Total Deductions	71
Change in Net Position	929
Net Position - Beginning of Year	2,947
Net Position - End of Year	<u>\$3,876</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, 2017**

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**Note 1 – Description of the District**

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's six instructional and support facilities staffed by 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:

Jointly Governed Organizations:

- Southwestern Ohio Educational Purchasing Council Benefit Plan Trust
- Hopewell Special Education Regional Resource Center
- Miami Valley Educational Computer Association

These organizations are presented in Note 12.

**Note 2 – Summary of Significant Accounting Policies**

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The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2017**

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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 deferred outflows*, and *liabilities and deferred inflows* 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, 2017**

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**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 has two fiduciary funds which are agency funds and a private purpose trust fund. Student Managed Activity Fund (agency fund) which accounts for assets and liabilities generated by student managed activities, which has students involved in the management of them and a Tournament Fund (agency fund) which accounts for individual, private organization, and other governmental units. 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, 2017**

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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. The deferred outflows or resources related to pension are reported on the governmental-wide statement of net position. The deferred outflows of resources related to pension are explained in Note 9.

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, pension, grants and other taxes (which includes tax incremental financing 'TIF'), unavailable revenue, and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 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. Grants and other taxes have been recorded as deferred inflows on the governmental fund financial statements. Unavailable revenue and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension are reported on the governmental-wide statement of net position. See Note 9 for more pension related information.

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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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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 2017 amounted to \$29,639 and \$2,350 in the other governmental funds.

**Inventory**

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

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

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

**Capital Assets**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditures/expense is reported in the year which services are consumed.

**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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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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 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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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**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.

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 \$2,823,657 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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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

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

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**Restricted Assets**

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

**Accrued Liabilities and Long Term Obligations**

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

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

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

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

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

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

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

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

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**  
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**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, 2017, \$11,105,965 of the District’s bank balance of \$12,153,761 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, 2017, the District had the following investments:

	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Fund	\$153,259	N/A	0.00
	<u>\$153,259</u>		
Portfolio Weighted Average Maturity			0.00

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District’s recurring fair value measurements as of June 30, 2017.

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

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

**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

**Wilmington City School District**  
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possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 4 – Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real 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, 2017, are available to finance fiscal year 2018 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, 2017. 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 the General Fund and Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2017 were based as follows:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$464,444,330
Public Utility Personal	<u>40,926,480</u>
Total	<u><u>\$505,370,810</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2017, consisted of taxes, accounts, 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**  
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**Note 6 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$624,927	\$0	\$0	\$624,927
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	32,206,244	1,079,206	0	33,285,450
Equipment	6,324,707	109,384	897,125	5,536,966
Totals at Historical Cost	<u>39,155,878</u>	<u>1,188,590</u>	<u>897,125</u>	<u>39,447,343</u>
Less Accumulated Depreciation:				
Buildings and Improvements	19,491,016	1,167,389	0	20,658,405
Equipment	4,757,649	79,020	0	4,836,669
Total Accumulated Depreciation	<u>24,248,665</u>	<u>1,246,409</u>	<u>0</u>	<u>25,495,074</u>
Governmental Activities Capital Assets, Net	<u>\$14,907,213</u>	<u>(\$57,819)</u>	<u>\$897,125</u>	<u>\$13,952,269</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$664,549
Special	279
Support Services:	
Pupil	2,100
Instructional Staff	3,723
School Administration	597
Operations and Maintenance	526,040
Pupil Transportation	32,810
Operation of Non-Instructional Services	7,400
Extracurricular Activities	8,911
Total Depreciation Expense	<u>\$1,246,409</u>

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**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
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**Note 7 – Long-Term Liabilities**

	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds and Notes:						
2016 General Obligation Bonds	1.90%	\$995,000	\$0	\$130,000	\$865,000	\$135,000
2016 Refunding Bonds		2,680,000	0	520,000	2,160,000	525,000
Premium on 2016 Refunding Bonds		53,600	0	10,720	42,880	0
2012 QSCB Bonds	5.85%	205,000	0	15,000	190,000	15,000
Subtotal Bonds		3,933,600	0	675,720	3,257,880	675,000
Capital Leases		1,374,436	0	215,020	1,159,416	220,981
Compensated Absences		743,255	330,428	126,825	946,858	192,566
Subtotal Bonds and Other Amounting		6,051,291	330,428	1,017,565	5,364,154	1,088,547
Net Pension Liability:						
STRS		29,568,556	6,665,537	0	36,234,093	0
SERS		6,693,782	1,701,946	0	8,395,728	0
Subtotal Net Pension Liability		36,262,338	8,367,483	0	44,629,821	0
Total Long-Term Obligations		<u>\$42,313,629</u>	<u>\$8,697,911</u>	<u>\$1,017,565</u>	<u>\$49,993,975</u>	<u>\$1,088,547</u>

General obligation bonds will be paid from the debt service fund and the general 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 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.

In 2016, the District issued long term general obligation bonds in the amount of \$995,000 at a rate of 1.9%. The bonds will be retired in 2022. The general obligation is paid out of the general fund.

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

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2018	\$675,000	\$54,292	\$729,292
2019	695,000	42,706	737,706
2020	710,000	30,729	740,729
2021	720,000	18,554	738,554
2022	170,000	10,418	180,418
2023-2026	245,000	12,979	257,979
Total	<u>\$3,215,000</u>	<u>\$169,678</u>	<u>\$3,384,678</u>

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
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**Note 8 – Capital Leases – Lessee Disclosure**

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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 \$641,000.

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

The 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
2018	260,868
2019	260,777
2020	260,851
2021	260,535
2022	122,494
2023	124,550
Total Minimum Lease Payments	1,290,075
Less: Amount Representing Interest	(130,659)
Present Value of Minimum Lease Payments	<u>\$1,159,416</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 9 - Defined Benefit Pension Plans**

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**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 employer'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.

Ohio Revised Code limits the obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer 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 – 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
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	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 65 with 5 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 or \$86.00 multiplied by the years of service credit. 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer 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, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$497,033 for fiscal year 2017. Of this amount \$88,622 is reported as accrued wages and benefits.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – 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](http://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.

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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 increased 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 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, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$1,693,776 for fiscal year 2017. Of this amount \$291,460 is reported as accrued wages and benefits.



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**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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the 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	\$8,395,728	\$36,234,093	\$44,629,821
Proportion of the Net Pension Liability	0.11471020%	0.10824867%	
Pension Expense	939,249	2,689,953	3,629,202

At June 30, 2017, 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$113,239	\$1,464,031	\$1,577,270
Changes of assumptions	560,461	0	560,461
Net difference between projected and actual earnings on pension plan investments	692,526	3,008,403	3,700,929
Changes in employer proportionate share of net pension liability	23,077	431,692	454,769
Contributions subsequent to the measurement date	<u>497,033</u>	<u>1,693,776</u>	<u>2,190,809</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>\$1,886,336</u></u>	<u><u>\$6,597,902</u></u>	<u><u>\$8,484,238</u></u>
<b>Deferred Inflows of Resources</b>			
Changes in employer proportionate share of net pension liability	<u>\$110,287</u>	<u>\$0</u>	<u>\$110,287</u>
<b>Total Deferred Inflows of Resources</b>	<u><u>\$110,287</u></u>	<u><u>\$0</u></u>	<u><u>\$110,287</u></u>

\$2,190,809 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Wilmington City School District**  
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Fiscal Year Ending June 30:	SERS	STRS	Total
2018	\$312,167	\$828,193	\$1,140,360
2019	311,668	828,193	1,139,861
2020	456,108	1,982,602	2,438,710
2021	199,073	1,265,138	1,464,211
Total	<u>\$1,279,016</u>	<u>\$4,904,126</u>	<u>\$6,183,142</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 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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 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

**Wilmington City School District**  
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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate**

The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$11,115,421	\$8,395,728	\$6,119,232

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**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2016, 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, including inflation
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, 2016, 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:

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<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	1.00	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, 2016. 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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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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, 2016. 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, 2016.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the 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%)
Proportionate share of the net pension liability	\$48,152,165	\$36,234,093	\$26,180,496

**Changes Between Measurement Date and Report Date**

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the net pension liability is expected to be significant.

**Note 10 - Post Employment Benefits**

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***School Employees Retirement System***

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$96,492, respectively.

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

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

***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](http://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 2017, 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, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

**Note 11 – Contingent Liabilities**

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**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 June 30, 2017 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.

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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**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, 2017.

**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 12 – Jointly Governed Organization**

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**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 the 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 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 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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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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 13 – Risk Management**

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The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine and property insurance from private carriers. General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$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 14 – Accountability**

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

<u>Funds</u>	<u>Deficit</u>
Other Governmental:	
IDEA Preschool Grant	\$1,354
Improving Teacher Quality	17,421
Special Education	74,137
Title I	119,451
Miscellaneous Federal Grant	1,660
Vocational Education Enhancement	2,518

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

**Note 15 – Fund Balance Reserves for Set-Asides**

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

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



**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2016	\$0	\$57,982
Current Year Set Aside Requirement	518,663	0
Qualified Disbursements	(666,953)	0
Current Year Offsets	0	0
Set Aside Reserve Balance as of June 30, 2017	<u>(\$148,290)</u>	<u>\$57,982</u>

Expenditures for capital activity during the year totaled \$666,953.

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 16 – Interfund Transactions/Transfers**

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Interfund transactions at June 30, 2017, consisted of the following interfund receivables and interfund payables:

	Interfund	
	Receivable	Payable
General Fund	\$15,593	\$0
Other Governmental Funds	0	15,593
Total All Funds	<u>\$15,593</u>	<u>\$15,593</u>

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

**Note 17 – Fund Balances**

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

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

Fund Balances	General	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Prepays	\$33,006	\$4,829	\$37,835
<b>Total Nonspendable</b>	33,006	4,829	37,835
<b>Restricted for:</b>			
Hopewell Grant	0	55,554	55,554
Student Activity	0	85,452	85,452
Auxiliary Services	0	25,197	25,197
Vocational Education	0	5,112	5,112
Food Service	0	38,695	38,695
Classroom Facilities Maintenance	0	978,916	978,916
Debt Service	0	727,006	727,006
Permanent Improvement	0	16,172	16,172
<b>Total Restricted</b>	0	1,932,104	1,932,104
<b>Assigned to:</b>			
Encumbrances	289,718	0	289,718
Public School	92,098	0	92,098
<b>Total Assigned</b>	381,816	0	381,816
<b>Unassigned (Deficit)</b>	9,986,987	(220,492)	9,766,495
<b>Total Fund Balance</b>	\$10,401,809	\$1,716,441	\$12,118,250

**Note 18 – Implementation of New Accounting Principles**

For the fiscal year ended June 30, 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14*.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the

**Wilmington City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2017**

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sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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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 Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.10824867%	0.10698873%	0.10613883%	0.10613883%
District's Proportionate Share of the Net Pension Liability	\$36,234,093	\$29,568,556	\$25,816,637	\$30,669,792
District's Covered-Employee Payroll	\$11,119,457	\$10,602,771	\$11,678,646	\$12,360,554
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	325.86%	278.88%	221.06%	248.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

Note - Amounts presented as of the District's measurement date which is the prior fiscal year end.

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 Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.11471020%	0.11730930%	0.11654300%	0.11654300%
District's Proportionate Share of the Net Pension Liability	\$8,395,728	\$6,693,782	\$5,898,175	\$6,932,516
District's Covered-Employee Payroll	\$3,562,471	\$4,440,910	\$3,420,722	\$4,427,341
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	150.73%	172.42%	156.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

Note - Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$1,693,776	\$1,556,724	\$1,484,388	\$1,518,224	\$1,606,872	\$1,732,404	\$1,755,084	\$1,758,660	\$1,676,400	\$1,780,860
Contributions in Relation to the Contractually Required Contribution	(1,693,776)	(1,556,724)	(1,484,388)	(1,518,224)	(1,606,872)	(1,732,404)	(1,755,084)	(1,758,660)	(1,676,400)	(1,780,860)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$12,098,400	\$11,119,457	\$10,602,771	\$11,678,646	\$12,360,554	\$13,326,185	\$13,500,646	\$13,528,154	\$12,895,385	\$13,698,923
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$497,033	\$498,746	\$585,312	\$474,112	\$612,744	\$619,560	\$594,576	\$524,196	\$544,548	\$507,708
Contributions in Relation to the Contractually Required Contribution	(497,033)	(498,746)	(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	\$0	\$0
District Covered-Employee Payroll	\$3,550,236	\$3,562,471	\$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	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%



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, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$13,417,691	\$14,205,414	\$14,183,902	(\$21,512)
Revenue in lieu of taxes	109,400	115,822	115,647	(175)
Tuition and Fees	796,269	843,017	841,740	(1,277)
Investment Earnings	27,981	29,624	29,579	(45)
Intergovernmental	12,198,941	12,915,114	12,895,556	(19,558)
Charges for Services	4,034	4,270	4,264	(6)
Other Revenues	54,960	58,186	58,098	(88)
<b>Total Revenues</b>	<b>26,609,276</b>	<b>28,171,447</b>	<b>28,128,786</b>	<b>(42,661)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	13,450,896	13,826,539	13,058,681	767,858
Special	3,027,068	3,111,605	2,938,802	172,803
Vocational	67,422	69,305	65,456	3,849
Other	1,058,656	1,088,221	1,027,787	60,434
<b>Support Services:</b>				
Pupil	1,222,599	1,256,742	1,186,949	69,793
Instructional Staff	820,476	843,390	796,552	46,838
General Administration	139,945	143,853	135,864	7,989
School Administration	1,653,767	1,699,952	1,605,545	94,407
Fiscal	771,662	793,212	749,161	44,051
Business	193,983	199,401	188,327	11,074
Operations and Maintenance	2,667,904	2,742,411	2,590,111	152,300
Pupil Transportation	1,407,618	1,446,928	1,366,573	80,355
Central	127,493	131,053	123,775	7,278
Operation of Non-Instructional Services	11,325	11,642	10,995	647
Extracurricular Activities	515,719	530,121	500,681	29,440
<b>Debt Service:</b>				
Principal Retirement	145,000	153,526	145,000	8,526
Interest and Fiscal Charges	22,556	18,709	17,670	1,039
<b>Total Expenditures</b>	<b>27,304,089</b>	<b>28,066,610</b>	<b>26,507,929</b>	<b>1,558,681</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(694,813)</b>	<b>104,837</b>	<b>1,620,857</b>	<b>1,516,020</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	12,766	13,515	13,495	(20)
Advances In	54,358	57,549	57,462	(87)
Advances (Out)	(16,061)	(16,510)	(15,593)	917
<b>Total Other Financing Sources (Uses)</b>	<b>51,063</b>	<b>54,554</b>	<b>55,364</b>	<b>810</b>
<b>Net Change in Fund Balance</b>	<b>(643,750)</b>	<b>159,391</b>	<b>1,676,221</b>	<b>1,516,830</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>7,855,894</b>	<b>7,855,894</b>	<b>7,855,894</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$7,212,144</b>	<b>\$8,015,285</b>	<b>\$9,532,115</b>	<b>\$1,516,830</b>

See accompanying notes to the required supplementary information.

**Wilmington City School District**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2017**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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, 2017**

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

	<u>General</u>
GAAP Basis	\$2,265,173
Revenue Accruals	(172,780)
Expenditure Accruals	(108,063)
Advances In	57,462
Advances (Out)	(15,593)
Encumbrances	(348,879)
Funds Budgeted Elsewhere	<u>(1,099)</u>
Budget Basis	<u><u>\$1,676,221</u></u>

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**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2017	10.555		\$91,626
Cash Assistance:				
National School Breakfast Program	2017	10.553	\$150,657	0
National School Lunch Program	2017	10.555	659,571	0
Total Child Nutrition Cluster			<u>810,228</u>	<u>91,626</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>810,228</u></b>	<b><u>91,626</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States	2017	84.027	531,407	0
Special Education Grants to States	2016	84.027	62,909	0
Total Special Education Grants to States			<u>594,316</u>	<u>0</u>
Special Education - Preschool Grants	2017	84.173	10,319	0
Special Education - Preschool Grants	2016	84.173	1,436	0
Total Special Education - Preschool Grants			<u>11,755</u>	<u>0</u>
Total Special Education Cluster			<u>606,071</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2017	84.010	904,572	0
Title I Grants to Local Educational Agencies	2016	84.010	108,909	0
Total Title I Grants to Local Educational Agencies			<u>1,013,481</u>	<u>0</u>
Career and Technical Education Grants to States	2017	84.048	999	0
Career and Technical Education Grants to States	2016	84.048	2,676	0
Career and Technical Education Grants to States	2015	84.048	762	0
Total Career Tech			<u>4,437</u>	<u>0</u>
Title VI-B Rural and Low Income School Grants	2017	84.358	63,626	0
Title VI-B Rural and Low Income School Grants	2016	84.358	57,462	0
Total Title VI Rural and Low Income School Grants			<u>121,088</u>	<u>0</u>
Title II-A Improving Teacher Quality State Grants	2017	84.367	88,805	0
Title II-A Improving Teacher Quality State Grants	2016	84.367	10,503	0
Total Title II-A Improving Teacher Quality State Grants			<u>99,308</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<b><u>1,844,385</u></b>	<b><u>0</u></b>
<b>Total Federal Awards</b>			<b><u>\$2,654,613</u></b>	<b><u>\$91,626</u></b>

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

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wilmington City School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT 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, 2017, 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 20, 2018.

### ***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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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*.

***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 report is not suitable for any other purpose.

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 20, 2018





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Wilmington City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Wilmington City School District's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, Wilmington City School 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, 2017.

***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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2018

**WILMINGTON CITY SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

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

None

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# Dave Yost • Auditor of State

**WILMINGTON CITY SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2018**