



Mary Taylor, CPA
Auditor of State

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Willard City School District
Huron County
P.O. Box 150
Willard, Ohio 44890-0150

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 6, 2009

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Willard City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$790,558 which represents a 13.78% increase from 2007.
- General revenues accounted for \$16,771,142 in revenue or 80.01% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,189,783 or 19.99% of total revenues of \$20,960,925.
- The District had \$20,170,367 in expenses related to governmental activities; only \$4,189,783 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,771,142 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$17,302,827 in revenues and other financing sources and \$16,778,225 in expenditures and other financing uses. During fiscal 2008, the general fund's fund balance increased \$524,602 from \$2,377,381 to \$2,901,983.
- The District's other major governmental fund the debt service fund had \$425,119 in revenues and \$429,082 in expenditures. During fiscal 2008, the debt service fund's fund balance decreased \$3,963 from \$1,435,486 to \$1,431,523.

Using these Basic Financial Statements

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

The *statement of net assets* and *statement 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. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

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. The District's major governmental funds are the general fund and debt service fund.

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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 11,978,649	\$ 12,241,713
Capital assets, net	5,470,330	5,594,510
Total assets	<u>17,448,979</u>	<u>17,836,223</u>
<u>Liabilities</u>		
Current liabilities	6,490,642	7,545,638
Long-term liabilities	4,429,774	4,552,580
Total liabilities	<u>10,920,416</u>	<u>12,098,218</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,307,700	2,582,818
Restricted	1,921,436	1,799,269
Unrestricted	2,299,427	1,355,918
Total net assets	<u>\$ 6,528,563</u>	<u>\$ 5,738,005</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$6,528,563.

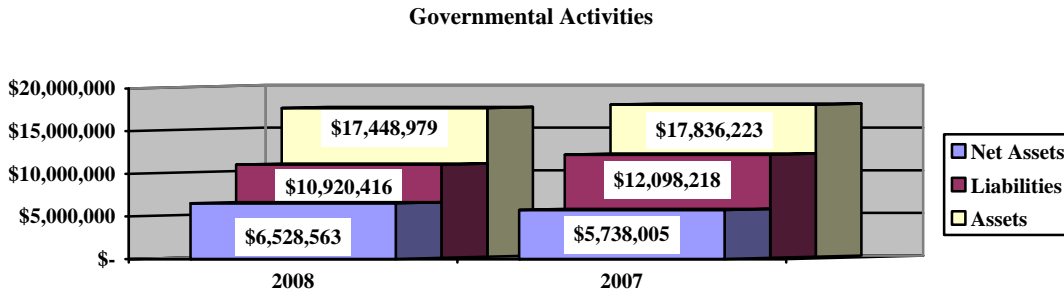
At year-end, capital assets represented 31.35% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$2,307,700. These capital assets are used 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.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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(Continued)**

A portion of the District's net assets, \$1,921,436, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,299,427 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,111,243	\$ 1,057,698
Operating grants and contributions	3,068,814	2,997,366
Capital grants and contributions	9,726	
General revenues:		
Property taxes	6,713,016	6,880,856
Grants and entitlements	9,700,603	9,270,530
Investment earnings	238,394	279,886
Other	119,129	54,497
Total revenues	20,960,925	20,540,833

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	7,990,747	8,291,714
Special	1,656,063	1,644,993
Vocational	269,596	264,706
Other	1,889,201	1,681,562
Support services:		
Pupil	875,045	964,417
Instructional staff	633,254	718,669
Board of education	359,150	404,401
Administration	1,880,938	1,857,931
Fiscal	399,459	421,849
Business	49,853	86,593
Operations and maintenance	1,273,390	1,380,125
Pupil transportation	1,011,435	888,789
Central	5,542	5,888
Operations of non-instructional services	46,802	57,614
Food service operations	824,998	843,846
Extracurricular activities	710,165	731,077
Intergovernmental pass through	105,844	135,527
Interest and fiscal charges	188,885	208,868
Total expenses	<u>20,170,367</u>	<u>20,588,569</u>
Change in net assets	790,558	(47,736)
Net assets at beginning of year	<u>5,738,005</u>	<u>5,785,741</u>
Net assets at end of year	<u>\$ 6,528,563</u>	<u>\$ 5,738,005</u>

Governmental Activities

Net assets of the District's governmental activities increased \$790,558. Total governmental expenses of \$20,170,367 were offset by program revenues of \$4,189,783 and general revenues of \$16,771,142. Program revenues supported 20.77% of the total governmental expenses.

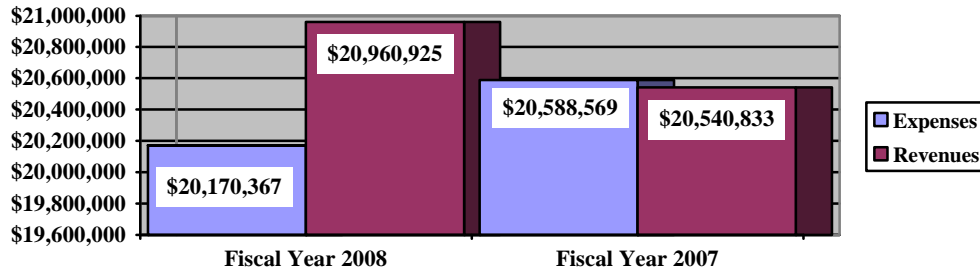
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 78.31% of total governmental revenue. Real estate property is reappraised every six years. The decrease in expenditures is primarily due to decreases in salaries and benefit expenditures. Net assets increased as the result of District receiving more grants and entitlements along with the decreases in salaries and benefits from retirements.

WILLARD CITY SCHOOL DISTRICT
HURON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental 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 grants and entitlements.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 7,990,747	\$ 7,264,474	\$ 8,291,714	\$ 7,680,278
Special	1,656,063	143,205	1,644,993	316,077
Vocational	269,596	223,544	264,706	221,503
Other	1,889,201	1,510,745	1,681,562	1,129,411
Support services:				
Pupil	875,045	866,004	964,417	951,493
Instructional staff	633,254	631,367	718,669	690,810
Board of education	359,150	359,150	404,401	404,401
Administration	1,880,938	1,827,053	1,857,931	1,815,751
Fiscal	399,459	399,459	421,849	421,849
Business	49,853	49,853	86,593	86,593
Operations and maintenance	1,273,390	1,268,857	1,380,125	1,376,407
Pupil transportation	1,011,435	958,649	888,789	850,362
Central	5,542	5,542	5,888	5,888
Operations of non-instructional services	46,802	104	57,614	801
Food service operations	824,998	(13,396)	843,846	35,509
Extracurricular activities	710,165	321,724	731,077	328,223
Intergovernmental pass through	105,844	(24,635)	135,527	9,281
Interest and fiscal charges	188,885	188,885	208,868	208,868
Total expenses	\$ 20,170,367	\$ 15,980,584	\$ 20,588,569	\$ 16,533,505

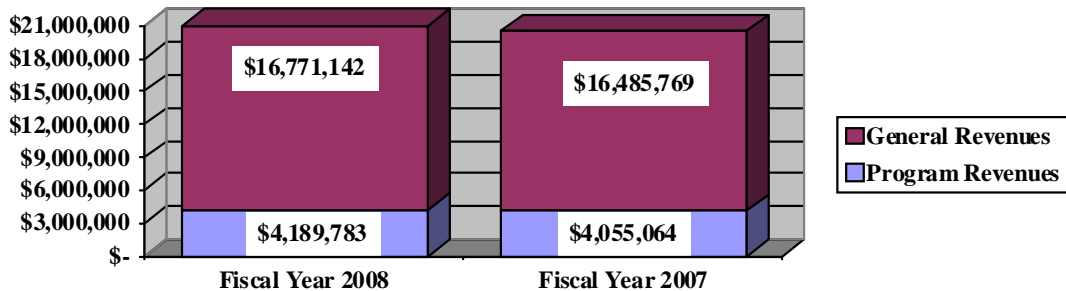
The dependence upon tax and other general revenues for governmental activities is apparent, 77.44% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.23%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,804,229, which is higher than last year's total of \$4,112,693. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	\$ 2,901,983	\$ 2,377,381	\$ 524,602
Debt service	1,431,523	1,435,486	(3,963)
Other Governmental	470,723	299,826	170,897
Total	\$ 4,804,229	\$ 4,112,693	\$ 691,536

General Fund

The District's general fund, fund balance increased by \$524,602. The increase in fund balance can be attributed to revenues increasing by 2.51% versus the prior year while expenditures increased by only 0.46% from the prior year.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2007 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 6,161,464	\$ 6,282,323	(1.92) %
Tuition and fees	219,278	201,912	8.60 %
Earnings on investments	238,394	279,886	(14.82) %
Intergovernmental	10,305,186	9,800,750	5.15 %
Other revenues	<u>144,034</u>	<u>85,228</u>	69.00 %
Total	<u>\$ 17,068,356</u>	<u>\$ 16,650,099</u>	2.51 %
<u>Expenditures</u>			
Instruction	\$ 9,811,202	\$ 9,870,975	(0.61) %
Support services	6,205,227	6,299,069	(1.49) %
Extracurricular activities	328,555	294,647	11.51 %
Capital outlay	234,471		100.00 %
Debt service	<u>49,551</u>	<u>88,866</u>	(44.24) %
Total	<u>\$ 16,629,006</u>	<u>\$ 16,553,557</u>	0.46 %

The increase in other revenues is due to increased miscellaneous receipts. Interest revenue decreased due to lower interest rates. The increase in capital outlay was due to the new lease entered into by the District. The increase in extracurricular activities expenditures was related to increases in occupation and sports oriented activities. The increase in intergovernmental revenues is due to increased grants and entitlements.

Debt Service Fund

The District's debt service fund, fund balance decreased by \$3,963. The table that follows assists in illustrating the financial activities and fund balance of the debt service fund.

	2008 Amount	2007 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 294,798	\$ 365,702	(19.39) %
Intergovernmental	<u>130,321</u>	<u>148,168</u>	(12.05) %
Total	<u>\$ 425,119</u>	<u>\$ 513,870</u>	(17.27) %
<u>Expenditures</u>			
Support services	\$ 7,769	\$ 10,004	(22.34) %
Principal retirement	265,000	259,180	2.25 %
Interest and fiscal charges	<u>156,313</u>	<u>174,035</u>	(10.18) %
Total	<u>\$ 429,082</u>	<u>\$ 443,219</u>	(3.19) %

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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 2008, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,364,873, which was \$818,375 higher than the original budgeted revenues and other financing sources estimate of \$16,546,498. Actual revenues and other financing sources for fiscal 2008 was \$17,364,873. This equals the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,910,800 were decreased to \$17,885,395 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$17,844,353, which was \$41,042 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$5,470,330 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 107,448	\$ 107,448
Land improvements	145,115	131,970
Building and improvements	3,709,341	4,001,535
Furniture and equipment	1,030,623	877,660
Vehicles	477,803	475,897
Total	<u>\$ 5,470,330</u>	<u>\$ 5,594,510</u>

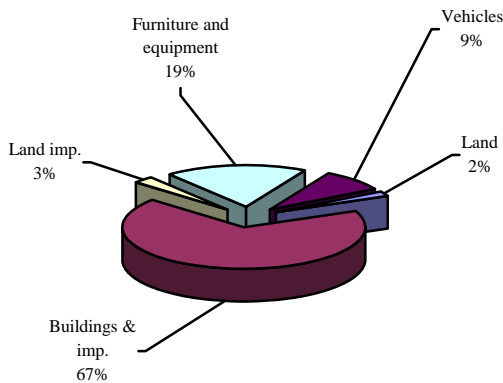
The District acquired \$363,876 in capital asset additions during fiscal 2008. Total disposals to capital assets for 2008 were \$200 (net of accumulated depreciation). The District recorded \$487,856 in depreciation expense for fiscal 2008.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

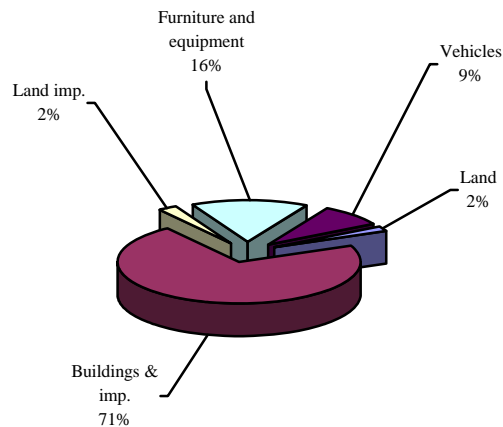
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The graphs below present the District's capital assets for fiscal years 2008 and 2007.

**Capital Assets - Governmental Activities
2008**



**Capital Assets - Governmental Activities
2007**



See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

The District restated the long term obligations as described in Note 3.A. At June 30, 2008, the District had \$3,162,630 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$371,542 is due within one year and \$2,791,088 is due within greater than one year. The following table summarizes the bonds, loans and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds:		
High school addition	\$ 45,000	\$ 90,000
Remodel high school and elementary school	90,000	180,000
Refunded elementary school renovation	2,440,000	2,570,000
Loans payable:		
Energy conservation	345,883	382,365
Capital lease obligations	241,747	44,313
Total	\$ 3,162,630	\$ 3,266,678

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The energy conservation loan was received in 2001. This loan is scheduled to mature in fiscal year 2016 and bears an interest rate of 5.85%. Payment of principal and interest on the energy conservation loan is being made from the energy conservation capital projects fund.

In 1994, the District issued general obligation bonds, providing for an addition to the District's high school. The general obligation bonds are scheduled to mature in fiscal year 2008 and bear an interest rate of 8.50%. Payment of principal and interest on the high school addition bonds is being made from the debt service fund.

In 1985, the District issued general obligation bonds, providing for remodeling the District's high school and elementary school. The general obligation bonds are scheduled to mature in fiscal year 2008 and bear an interest rate of 8.25%. Payment of principal and interest on the high school and elementary school remodeling bonds is being made from the debt service fund.

In 1994, the District issued general obligation bonds, providing for the renovation of the District's elementary school. In 2004, the District refunded these general obligation bonds. The general obligation bonds are scheduled to mature in fiscal year 2019 and bear a variable interest rate which may not exceed 6.00%. Payment of principal and interest on the elementary school renovation bonds is being made from the debt service fund.

At June 30, 2008, the District's overall legal debt margin was \$15,635,657 with an unvoted debt margin of \$186,435 and an energy conservation debt margin of \$1,332,030.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

In order to optimize education dollars for the students of our district and tax dollars for our community, Willard City Schools continues to be very frugal. On June 30, 2008, our unencumbered General Fund balance was \$3,313,638.46. However, we anticipate that beginning in 2009 our expenses will exceed our revenues. Also, enrollment seems to be declining somewhat at this time which will reduce our foundation payment. The next triennial update of property taxes will take place in 2009 and the next reappraisal will be in tax year 2012. Our property valuation has dropped and home foreclosures continue to rise. House Bill 66 authorized the phase out of all personal property tax by 2009. However, the State will assume full funding of the decrease through a hold harmless agreement through 2011.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Our expenditures continue to increase. Salaries are projected to increase approximately 3.4% annually based on negotiated agreements and scale step increases. Although new members are added to our health insurance during our open enrollment each September, both the certified and classified unions have added working spouse language to their contracts which should save us an average of \$275,000 per year. Purchased Services have increased an average 12-14% per year. This is one area that continues to concern us as we cannot control the costs for open enrollment, community schools, charter schools and court placed students. Another concern is that since its inception, a grant has been used to fund our elementary handicap unit at Central School. However, we no longer have the funds from the grant to cover the unit. Therefore, the general fund will be responsible for the \$89,000 per year. While supplies and materials historically increased prior to 2008, we expect them to remain somewhat constant at this time. Increased utility costs, as well as increased costs for special education, due to additional students, continues to be a concern. Facilities acquisition and construction expenditures should remain somewhat consistent with the exception in fiscal year 2009 with the purchase of additional property next to our bus garage. We are not currently purchasing any buses from the general fund, therefore saving the district over \$60,000. Bus purchases have been from our permanent improvement fund over the past three years. Our expenditure per pupil is still significantly lower than the state average and we will continue to try and keep the cost per pupil as low as possible, while meeting the needs of our young people. We will also continue to monitor our financial situation very closely. In November 2008, the District will place a bond issue and income tax on the ballot to fund three new schools buildings through the Ohio School facilities Commission. The total estimated cost is over \$54 million. The State's share would be about \$32 million while our local share would be about \$22 million.

The District met 23 indicators on the District Report Card this past year. Areas of needed improvement include the students with special needs youth in the area of reading. Overall, the District showed marked improvement in the area of mathematics which was a focus this past year and improved by two additional indicators.

Currently the District has been designated an **Effective School District** which is an improvement from the **Continuous Improvement** status of a year ago. Greenfield Elementary School is considered an **Excellent** School while the Willard Middle School and Central Elementary are considered schools in **Continuous Improvement**. New Haven, Richmond and Willard High School have been designated as **Effective Schools**.

The overall improvement plan for the district includes the following steps:

- Analysis of the data – including the local report card, accountability workbook data, formative assessment data, CCIP needs assessment data, culture and climate data, retention and drop-out data and discipline data.
- Identification of root causes by looking at achievement gaps included in the item analysis, determined by analyzing subgroup growth, the level of intervention strategies and the implications of the performance index. Of special concern are the special needs students and their failure to meet AYP.
- The creation of a plan based on the district improvement plan, school improvement plan, partnership agreements with State Support Team and a focused monitoring plan are of primary focus.

Professional development is being aligned to the needs identified in the testing process.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Attendance levels at all grade levels have been maintained above the 94% overall and the graduation rate increased to 93.9%. On the Ohio Graduation Test, Willard High School students were able to meet all indicators at both the 10th and 11th grades.

Finally, Willard City School students have continued to score consistently at or above the state and national levels on the ACT tests.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's 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 Ms. Cyndi Shoup, Treasurer, 955 South Main Street, Willard, Ohio, 44890-0150.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

		Governmental Activities
Assets:		
Equity in pooled cash and cash equivalents . . .	\$	6,160,496
Receivables:		
Taxes		5,351,543
Accounts		44,613
Intergovernmental		162,626
Prepayments		54,686
Materials and supplies inventory		120,633
Unamortized bond issue costs		84,052
Capital assets:		
Land		107,448
Depreciable capital assets, net		5,362,882
Total capital assets, net		<u>5,470,330</u>
 Total assets		 <u>17,448,979</u>
Liabilities:		
Accounts payable		113,312
Accrued wages and benefits		1,734,939
Pension obligation payable		395,238
Intergovernmental payable		114,224
Unearned revenue		4,119,796
Accrued interest payable		13,133
Long-term liabilities:		
Due within one year		443,593
Due within more than one year		3,986,181
 Total liabilities		 <u>10,920,416</u>
Net Assets:		
Invested in capital assets, net of related debt		2,307,700
Restricted for:		
Capital projects		197,749
Debt service		1,441,257
Locally funded programs		377
State funded programs		53,797
Federally funded programs		59,163
Student activities		168,314
Permanent endowment		779
Unrestricted		<u>2,299,427</u>
 Total net assets	 \$	 <u><u>6,528,563</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 7,990,747	\$ 337,035	\$ 389,238		\$ (7,264,474)
Special	1,656,063	9,170	1,503,688		(143,205)
Vocational	269,596		46,052		(223,544)
Other	1,889,201		378,456		(1,510,745)
Support services:					
Pupil.	875,045		9,041		(866,004)
Instructional staff	633,254		1,887		(631,367)
Board of education	359,150				(359,150)
Administration	1,880,938	387	53,498		(1,827,053)
Fiscal.	399,459				(399,459)
Business.	49,853				(49,853)
Operations and maintenance	1,273,390	3,044	1,489		(1,268,857)
Pupil transportation.	1,011,435	12,690	30,370	9,726	(958,649)
Central	5,542				(5,542)
Operation of non-instructional services	46,802		46,698		(104)
Extracurricular activities	710,165	374,560	13,881		(321,724)
Intergovernmental pass-through	105,844		130,479		24,635
Food service operations	824,998	374,357	464,037		13,396
Interest and fiscal charges	188,885				(188,885)
Total governmental activities	\$ 20,170,367	\$ 1,111,243	\$ 3,068,814	\$ 9,726	(15,980,584)
General Revenues:					
Property taxes levied for:					
					6,222,226
General purposes					299,220
Debt service.					191,570
Capital outlay.					
Grants and entitlements not restricted to specific programs					9,700,603
Investment earnings					238,394
Miscellaneous					119,129
Total general revenues					16,771,142
Change in net assets					790,558
Net assets at beginning of year					5,738,005
Net assets at end of year					\$ 6,528,563

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,207,790	\$ 1,393,716	\$ 558,990	\$ 6,160,496
Receivables:				
Taxes	4,927,582	263,610	160,351	5,351,543
Accounts	39,680		4,933	44,613
Intergovernmental	119,634		42,992	162,626
Prepayments.	54,686			54,686
Materials and supplies inventory	79,773		40,860	120,633
Total assets.	<u>\$ 9,429,145</u>	<u>\$ 1,657,326</u>	<u>\$ 808,126</u>	<u>\$ 11,894,597</u>
Liabilities:				
Accounts payable.	\$ 83,914		\$ 29,398	\$ 113,312
Accrued wages and benefits	1,649,205		85,734	1,734,939
Compensated absences payable	41,483		2,196	43,679
Pension obligation payable.	359,329		35,909	395,238
Intergovernmental payable.	104,001		10,223	114,224
Unearned revenue	3,793,417	202,936	123,443	4,119,796
Deferred revenue.	495,813	22,867	50,500	569,180
Total liabilities.	<u>6,527,162</u>	<u>225,803</u>	<u>337,403</u>	<u>7,090,368</u>
Fund Balances:				
Reserved for encumbrances	338,469		104,250	442,719
Reserved for materials and supplies inventory	79,773		40,860	120,633
Reserved for property tax unavailable for appropriation	706,714	37,807	22,998	767,519
Reserved for prepayments	54,686			54,686
Reserved for principal endowment.			779	779
Unreserved, undesignated, reported in:				
General fund	1,722,341			1,722,341
Special revenue funds.			184,083	184,083
Debt service fund.		1,393,716		1,393,716
Capital projects funds.			117,753	117,753
Total fund balances	<u>2,901,983</u>	<u>1,431,523</u>	<u>470,723</u>	<u>4,804,229</u>
Total liabilities and fund balances.	<u>\$ 9,429,145</u>	<u>\$ 1,657,326</u>	<u>\$ 808,126</u>	<u>\$ 11,894,597</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total governmental fund balances	\$	4,804,229
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,470,330
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 464,228	
Intergovernmental revenue	<u>104,952</u>	
Total		569,180
Unamortized bond issuance costs are not recognized in the funds.		84,052
Unamortized premiums on bond issuances are not recognized in the funds.		(233,286)
Unamortized deferred charges are not recognized in the funds.		149,234
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(13,133)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(2,575,000)	
Compensated absences	(1,139,413)	
Capital lease obligation payable	(241,747)	
Loans payable	<u>(345,883)</u>	
Total		<u>(4,302,043)</u>
Net assets of governmental activities	\$	<u><u>6,528,563</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 6,161,464	\$ 294,798	\$ 188,988	\$ 6,645,250
Tuition	219,278			219,278
Transportation	12,690			12,690
Earnings on investments	238,394			238,394
Extracurricular			439,835	439,835
Charges for services			374,357	374,357
Classroom materials and fees	11,855		42,738	54,593
Other local revenues	119,489		29,227	148,716
Intergovernmental - intermediate			8,044	8,044
Intergovernmental - state	10,305,186	130,321	345,225	10,780,732
Intergovernmental - federal			1,959,780	1,959,780
Total revenue	<u>17,068,356</u>	<u>425,119</u>	<u>3,388,194</u>	<u>20,881,669</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,375,853		392,887	7,768,740
Special	756,131		902,737	1,658,868
Vocational	241,381			241,381
Other	1,437,837		450,456	1,888,293
Support Services:				
Pupil	874,081		9,103	883,184
Instructional staff	607,698		985	608,683
Board of education	359,150			359,150
Administration	1,774,037	504	52,980	1,827,521
Fiscal	390,579	7,265	303	398,147
Business	45,365		4,488	49,853
Operations and maintenance	1,211,365		1,532	1,212,897
Pupil transportation	937,410		2,549	939,959
Central	5,542			5,542
Operation of non-instructional services			46,416	46,416
Extracurricular activities	328,555		376,491	705,046
Facilities acquisition and construction			154,032	154,032
Capital outlay	234,471			234,471
Intergovernmental pass through			105,844	105,844
Food service operations			807,465	807,465
Debt service:				
Principal retirement	37,037	265,000	36,482	338,519
Interest and fiscal charges	12,514	156,313	21,766	190,593
Total expenditures	<u>16,629,006</u>	<u>429,082</u>	<u>3,366,516</u>	<u>20,424,604</u>
Excess of revenues over (under) expenditures	<u>439,350</u>	<u>(3,963)</u>	<u>21,678</u>	<u>457,065</u>
Other financing sources (uses):				
Transfers in			149,219	149,219
Transfers out	(149,219)			(149,219)
Capital lease transactions	234,471			234,471
Total other financing sources	<u>85,252</u>		<u>149,219</u>	<u>234,471</u>
Net change in fund balances	524,602	(3,963)	170,897	691,536
Fund balances at beginning of year	<u>2,377,381</u>	<u>1,435,486</u>	<u>299,826</u>	<u>4,112,693</u>
Fund balances at end of year	<u>\$ 2,901,983</u>	<u>\$ 1,431,523</u>	<u>\$ 470,723</u>	<u>\$ 4,804,229</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds \$ 691,536

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	363,876	
Current year depreciation		(487,856)	
Total		(123,980)	(123,980)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (200)

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

Taxes		67,766	
Intergovernmental		11,490	
Total		79,256	79,256

Principal payments on bonds, loans, and capital lease obligations are reported as expenditures in governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 338,519

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

Decrease in accrued interest payable		1,707	
Amortization of bond premium		21,701	
Amortization of deferred charges on refundings		(13,882)	
Amortization of bond issue costs		(7,818)	
Total		1,708	1,708

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 38,190

Capital lease transactions are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (234,471)

Change in net assets of governmental activities \$ 790,558

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes.	\$ 5,663,125	\$ 5,943,218	\$ 5,943,218	
Tuition.	209,844	220,223	220,223	
Transportation	12,092	12,690	12,690	
Earnings on investments.	234,412	246,006	246,006	
Classroom materials and fees	10,610	11,135	11,135	
Other local revenues.	122,320	128,370	128,370	
Intergovernmental - state	<u>9,771,123</u>	<u>10,254,393</u>	<u>10,254,393</u>	
Total revenue	<u>16,023,526</u>	<u>16,816,035</u>	<u>16,816,035</u>	
Expenditures:				
Current:				
Instruction:				
Regular	7,412,068	7,401,554	7,385,128	16,426
Special.	762,244	761,163	759,183	1,980
Vocational.	244,989	244,642	243,856	786
Other	1,474,084	1,471,993	1,470,649	1,344
Support Services:				
Pupil.	863,996	862,770	860,114	2,656
Instructional staff	753,501	752,432	750,652	1,780
Board of education	371,564	371,037	369,764	1,273
Administration.	1,774,123	1,771,607	1,766,327	5,280
Fiscal	406,706	406,129	405,288	841
Business	402,127	401,557	401,416	141
Operations and maintenance.	1,357,846	1,355,920	1,350,650	5,270
Pupil transportation	1,097,852	1,096,295	1,095,103	1,192
Central.	7,884	7,873	7,856	17
Extracurricular activities.	<u>332,497</u>	<u>332,025</u>	<u>330,003</u>	<u>2,022</u>
Total expenditures	<u>17,261,481</u>	<u>17,236,997</u>	<u>17,195,989</u>	<u>41,008</u>
Excess of revenues (under) expenditures.	<u>(1,237,955)</u>	<u>(420,962)</u>	<u>(379,954)</u>	<u>41,008</u>
Other financing sources (uses):				
Sale of assets	1,668	1,751	1,751	
Refund of prior year expenditure	11,090	11,638	11,638	
Transfers out	(149,460)	(149,248)	(149,219)	29
Advances in.	510,214	535,449	535,449	
Advances out	<u>(499,859)</u>	<u>(499,150)</u>	<u>(499,145)</u>	<u>5</u>
Total other financing sources (uses)	<u>(126,347)</u>	<u>(99,560)</u>	<u>(99,526)</u>	<u>34</u>
Net change in fund balance	(1,364,302)	(520,522)	(479,480)	41,042
Fund balance at beginning of year.	3,358,015	3,358,015	3,358,015	
Prior year encumbrances appropriated	434,760	434,760	434,760	
Fund balance at end of year	<u>\$ 2,428,473</u>	<u>\$ 3,272,253</u>	<u>\$ 3,313,295</u>	<u>\$ 41,042</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	27,177
		<hr/>
Total assets.	\$	27,177
		<hr/> <hr/>
Liabilities:		
Accounts payable.	\$	336
Deposits held and due to others		3,895
Due to students.		22,946
		<hr/>
Total liabilities	\$	27,177
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Willard City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established in 1961 through the consolidation of existing land areas and school districts. The District serves an area of approximately 90 square miles. It is located in Huron County, and includes the City of Willard, and the Villages of Plymouth, New Haven and Steuben and portions of Richmond, Greenfield, Auburn, Norwich, and New Haven Townships. The District is the 294th largest in the State of Ohio (among 896 public and community school districts) in terms of enrollment. It is staffed by 92 non-certificated employees and 157 certificated full-time teaching personnel, who provide services to 1,883 students and other community members. The District currently operates 6 instructional buildings and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG 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 school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2008, the District paid \$132,262 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

The PCTC is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, Ohio 44875-0309.

Northwestern Ohio Educational Research Council, Incorporated (the "Council")

The Council is a non-profit organization under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., at P.O. Box 456, Ashland, Ohio 44805.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group II Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group II Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. Refer to Note 12.C. for further information on this group rating plan.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Huron-Erie School Employees Insurance Association

The District participates in the Huron-Erie School Employees Insurance Association (the "Association"), an insurance purchasing pool. The Association's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the fourteen school districts and educational service centers in the Association.

RELATED ORGANIZATION

Willard Memorial Library

The Willard Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Willard City School District Board of Education.

The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Willard Memorial Library, Shirley Stang, Treasurer, at 6 West Emerald Street, Willard, Ohio 44890-1498.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for food service and uniform school supplies operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and deposits held for outside entities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. 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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Agency funds do not report a measurement focus as they do not report operations.

D. 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.

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, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Huron County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts from the certificate of amended resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a Certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$238,394, which includes \$76,514 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$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 except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	7 - 30 years
Buildings and improvements	7 - 40 years
Furniture and equipment	5 - 30 years
Vehicles	7 - 15 years

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. There were no interfund loans receivable/payable at June 30, 2008.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 5 years of service, at least 45 years of age with 15 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10. A.

L. 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 that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences 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 during the current year. Bonds, loans and contractually required pension contributions are recognized on the fund financial statements when due.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, principal endowment, materials and supplies inventory and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

N. Net Assets

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

P. Estimates

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

Q. 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 basic financial statements.

Interfund activity between governmental funds is eliminated in the statement of activities.

R. Nonpublic Schools

Within the District boundaries, St. Francis Xavier Elementary School is operated through the Toledo Catholic Diocese; Celeryville Christian School is operated as a private school by the Celeryville Christian School and is governed by a board of six members. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of these State monies by the District is reflected in a nonmajor governmental fund for financial reporting purposes.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008, included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Management information systems	\$ 57
Ohio reads	317
Career tech	20
Poverty aid	16,925
Title VI-B	4,468
Migrant Title III grant	200
Title I	5,291
Drug free school grant	5
Preschool	42
Improving teacher quality	198

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances result from adjustments for accrued liabilities.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 monies 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year-end, the District had \$3,575 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$4,472,658. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$4,431,378 of the District's bank balance of \$4,654,803 was exposed to custodial risk as discussed below, while \$223,425 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$1,711,440</u>	<u>\$1,711,440</u>

Credit Risk: STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,472,658
Cash on hand	3,575
Investments	<u>1,711,440</u>
Total	<u>\$ 6,187,673</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,160,496
Agency funds	<u>27,177</u>
Total	<u>\$ 6,187,673</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General fund	\$ 149,219

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Transfers are used to (1) 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 (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market 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.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is being phased-out. For 2007, tangible personal property is assessed at 12.5% for property including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Huron County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008, was \$706,714 in the general fund, \$37,807 in the debt service fund, and \$22,998 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount that was available as advance at June 30, 2007, was \$488,468 in the general fund, \$24,570 in the debt service fund and \$15,090 in the permanent improvement capital projects fund (a nonmajor governmental fund).

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 179,231,730	88.17	\$ 180,649,310	96.37
Public utility personal	8,241,050	4.06	6,806,910	3.63
Tangible personal property	15,785,535	7.77		
Total	<u>\$ 203,258,315</u>	<u>100.00</u>	<u>\$ 187,456,220</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$46.50		\$46.50	
Permanent improvements	1.00		1.00	
Debt service	1.45		1.45	

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Property taxes	\$ 5,351,543
Accounts	44,613
Intergovernmental	<u>162,626</u>
 Total	 <u><u>\$ 5,558,782</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 107,448			\$ 107,448
Total capital assets, not being depreciated	107,448			107,448
<i>Capital assets, being depreciated:</i>				
Land improvements	332,920	\$23,500		356,420
Buildings and improvements	11,651,665	5,349		11,657,014
Furniture and equipment	1,739,653	265,827		2,005,480
Vehicles	1,067,042	69,200	(18,134)	1,118,108
Total capital assets, being depreciated	<u>14,791,280</u>	<u>363,876</u>	<u>(18,134)</u>	<u>15,137,022</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(200,950)	(10,355)		(211,305)
Buildings and improvements	(7,650,130)	(297,543)		(7,947,673)
Furniture and equipment	(861,993)	(112,864)		(974,857)
Vehicles	(591,145)	(67,094)	17,934	(640,305)
Total accumulated depreciation	<u>(9,304,218)</u>	<u>(487,856)</u>	<u>17,934</u>	<u>(9,774,140)</u>
Governmental activities capital assets, net	<u><u>\$ 5,594,510</u></u>	<u><u>\$ (123,980)</u></u>	<u><u>\$ (200)</u></u>	<u><u>\$ 5,470,330</u></u>

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 248,697
Special	11,687
Vocational	5,512
<u>Support Services:</u>	
Pupil	7,312
Instructional staff	40,929
Administration	61,907
Fiscal	1,790
Operations and maintenance	23,790
Pupil transportation	66,361
Operation of non-instructional	386
Extracurricular activities	4,154
Food service operations	15,331
Total depreciation expense	<u><u>\$ 487,856</u></u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In previous years, the District entered into capital lease agreements for the acquisition of copier and network equipment. In fiscal year 2008, the District entered into a capital lease agreement for the acquisition of copier equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$329,431, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2008 was \$88,415, leaving a current book value of \$241,016. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2008 fiscal year totaled \$37,037. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liability on the statement of net assets.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

Year Ending June 30	Amount
2009	\$ 74,992
2010	61,509
2011	54,973
2012	54,973
2013	41,230
Total minimum lease payment	287,677
Less: amount representing interest	(45,930)
Present value of minimum lease payments	\$241,747

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Issued	Due	Interest Rate	Balance 07/01/07	Increase	Decrease	Balance 06/30/08	Amount Due in One Year
<u>G.O. Bonds Payable</u>								
High school addition	1994	2008	8.50%	\$ 90,000		\$ (45,000)	\$ 45,000	\$ 45,000
Remodel high school and elementary school	1985	2008	8.25%	180,000		(90,000)	90,000	90,000
School improvement refunding	2004	2020	Variable	2,570,000		(130,000)	2,440,000	140,000
Total G.O. bonds				2,840,000		(265,000)	2,575,000	275,000
<u>Loans Payable</u>								
Energy conservation	2001	2016	5.85%	382,365		(36,482)	345,883	38,733
Total loans payable				382,365		(36,482)	345,883	38,733
<u>Other Long-Term Obligations</u>								
Capital lease obligation				44,313	\$ 234,471	(37,037)	241,747	57,809
Compensated absences				1,194,031	124,182	(135,121)	1,183,092	72,051
Total other long-term obligations				1,238,344	358,653	(172,158)	1,424,839	129,860
Total governmental activities				\$ 4,460,709	\$ 358,653	\$ (473,640)	4,345,722	\$ 443,593
Less: unamortized deferred charge on refunding							(149,234)	
Add: unamortized premium on bonds							233,286	
Total on statement of net assets							\$ 4,429,774	

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

Compensated absences will be paid from the fund from which the employee is paid (which is primarily the general fund) and the general obligation bonds are being retired from the debt service fund. The energy conservation loan is being retired from the energy conservation capital projects fund (a nonmajor governmental fund). Funds to retire this obligation are being transferred from the general fund. The capital lease obligation is being paid from the general fund (See Note 9).

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 275,000	\$ 138,087	\$ 413,087	\$ 38,733	\$ 19,514	\$ 58,247
2010	150,000	125,100	275,100	41,061	17,187	58,248
2011	160,000	116,950	276,950	43,529	14,719	58,248
2012	170,000	107,875	277,875	46,112	12,135	58,247
2013	180,000	98,250	278,250	48,916	9,332	58,248
2014 - 2018	1,105,000	319,695	1,424,695	127,532	10,082	137,614
2019 - 2020	535,000	31,193	566,193			
Total	<u>\$2,575,000</u>	<u>\$ 937,150</u>	<u>\$3,512,150</u>	<u>\$345,883</u>	<u>\$ 82,969</u>	<u>\$ 428,852</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$15,635,657 (including available funds of \$1,431,523) and an unvoted debt margin of \$186,435 and an unvoted energy conservation debt margin of \$1,332,030.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum of 65 days.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through National Term Life Insurance Company.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$2,500	\$32,359,264
Inland Marine Coverage	500	included
Musical Instruments, Band and Choir Equipment	500	273,500
General Liability	N/A	1,000,000/2,000,000
Employers Stop Gap Liability	N/A	1,000,000/2,000,000
School Professional Errors and Omissions Liability	10,000	1,000,000/2,000,000 aggregate
Sexual Misconduct Liability	N/A	1,000,000
Employee Benefits Liability	1,000	1,000,000/3,000,000 aggregate
Excess Umbrella Liability	10,000 (retention)	5,000,000
Automobile Liability N/A	N/A	1,000,000
Uninsured Motorists Bodily Injury Liability	N/A	1,000,000
Auto Comprehensive	500	per stated vehicle
Auto Collision	1,000	per stated vehicle

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2007.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - RISK MANAGEMENT – (Continued)

B. Employee Health Benefits

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, and life insurance benefits for its employees and their covered dependents provided by Medical Mutual of Ohio. The Association is a shared risk pool comprised of 14 school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

C. Workers' Compensation

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group II Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$188,484, \$199,591 and \$195,794, respectively; 45.13 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - PENSION PLANS – (Continued)

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were 1,115,841, \$1,110,075 and \$1,095,194, respectively; 83.69 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,265 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, three members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$127,517, \$108,108 and \$87,098, respectively; 45.13 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$13,581, \$13,572 and \$15,584, respectively; 45.13 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$85,834, \$85,390 and \$84,246, respectively; 83.69 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (479,480)
Net adjustment for revenue accruals	252,321
Net adjustment for expenditure accruals	(314,130)
Net adjustment for other sources/uses	184,778
Adjustment for encumbrances	881,113
GAAP basis	\$ 524,602

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 16 - CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not currently a party to any legal proceedings which would have a material impact on the financial statements.

NOTE 17 - STATUTORY RESERVES

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

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2007	\$ (526,015)	
Current year set-aside requirement	308,425	\$308,425
Offsets		(181,080)
Qualifying disbursements	(361,821)	(172,942)
Total	\$ (579,411)	\$ (45,597)
Balance carried forward to FY 2009	\$ (579,735)	

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks/instructional materials reserve may be carried forward to reduce the set-aside requirement for future years. The negative amount in the capital acquisition reserve may not be carried forward.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FEDERAL RECEIPTS AND AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program	10.555		
Cash Assistance		\$ 383,191	\$ 383,191
Non-cash Assistance (Food Distribution)		50,859	50,859
<i>Total National School Lunch Program</i>		<u>434,050</u>	<u>434,050</u>
School Breakfast Program	10.553	58,616	58,616
<i>Total Nutrition Cluster</i>		<u>492,666</u>	<u>492,666</u>
Total U.S. Department of Agriculture		<u>492,666</u>	<u>492,666</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States (IDEA Part B)	84.027	522,124	522,124
Special Education - Preschool Grant	84.173	20,056	20,056
<i>Total Special Education Cluster</i>		<u>542,180</u>	<u>542,180</u>
Grants to Local Educational Agencies (ESEA Title I)	84.010	611,730	611,730
Migrant Education Basic State Grant Program	84.011	215,535	178,950
Title V, Innovative Programs	84.298	5,214	5,214
Safe and Drug-Free Schools and Communities State Grant	84.186	11,365	11,365
Technology Literacy Challenge Fund	84.318	5,681	5,681
Improving Teacher Quality State Grant	84.367	126,852	126,852
English Language Acquisition Grant	84.365	20,394	20,394
Total U.S. Department of Education		<u>1,538,951</u>	<u>1,502,366</u>
Total Federal Financial Assistance		<u>\$ 2,031,617</u>	<u>\$ 1,995,032</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Willard City School District
Huron County
P.O. Box 150
Willard, Ohio 44890-0150

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated February 6, 2009.

Compliance and Other Matters

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

We did note certain noncompliance matters that we reported to the District's management in a separate letter dated February 6, 2009.

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



Mary Taylor, CPA
Auditor of State

February 6, 2009



Mary Taylor, CPA

Auditor of State

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

Willard City School District
Huron County
P.O. Box 150
Willard, Ohio 44890-0150

To the Board of Education:

Compliance

We have audited the compliance of the Willard City School District, Huron County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Willard City School District, Huron County complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

February 6, 2009

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other 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 internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (CFDA #84.027 and 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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

WILLARD CITY SCHOOL DISTRICT
HURON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial reporting for items requiring adjustment that the Treasurer had not reviewed.	Yes	N/A



Mary Taylor, CPA
Auditor of State

WILLARD CITY SCHOOL DISTRICT

HURON 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 3, 2009