



Dave Yost • Auditor of State

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

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Dave Yost • 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, 2010, 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, 2010, 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 March 3, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Dave Yost
Auditor of State

March 3, 2011

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities decreased \$1,119,130 which represents a 20.54% decrease from 2009.
- General revenues accounted for \$15,899,925 in revenue or 79.06% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,212,455 or 20.94% of total revenues of \$20,112,380.
- The District had \$21,231,510 in expenses related to governmental activities; only \$4,212,455 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 \$15,899,925 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$15,873,203 in revenues and other financing sources and \$16,586,055 in expenditures and other financing uses. During fiscal 2010, the general fund's fund balance decreased \$712,852 from \$1,828,670 to \$1,115,818.
- The District's other major governmental fund, the debt service fund, had \$220,732 in revenues and \$279,875 in expenditures. During fiscal 2010, the debt service fund's fund balance decreased \$59,143 from \$1,290,909 to \$1,231,766.

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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

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 2010?" 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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

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 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 9,786,858	\$ 10,566,895
Capital assets, net	<u>5,205,158</u>	<u>5,284,352</u>
Total assets	<u>14,992,016</u>	<u>15,851,247</u>
<u>Liabilities</u>		
Current liabilities	6,861,799	6,369,454
Long-term liabilities	<u>3,799,791</u>	<u>4,032,237</u>
Total liabilities	<u>10,661,590</u>	<u>10,401,691</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,585,354	2,417,030
Restricted	1,697,909	1,775,531
Unrestricted	<u>47,163</u>	<u>1,256,995</u>
Total net assets	<u>\$ 4,330,426</u>	<u>\$ 5,449,556</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$4,330,426.

At year-end, capital assets represented 34.72% 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, 2010, were \$2,585,354. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

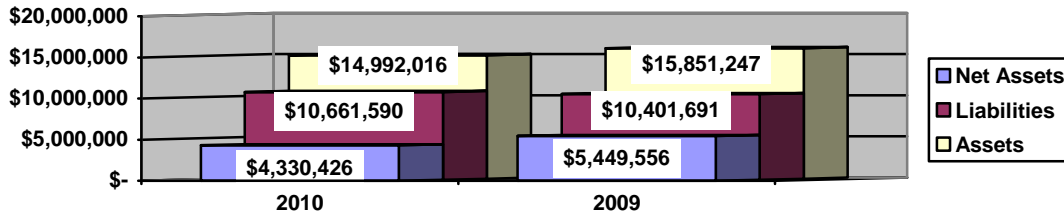
A portion of the District's net assets, \$1,697,909, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$47,163 may be used to meet the District's ongoing obligations to the students and creditors.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The graph below shows the District's assets, liabilities and net assets at June 30, 2010 and 2009:

Governmental Activities



The table below shows the change in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 993,897	\$ 975,759
Operating grants and contributions	3,218,558	2,928,234
Capital grants and contributions	-	28,141
General revenues:		
Property taxes	5,099,545	5,273,481
Grants and entitlements	10,660,482	10,130,191
Investment earnings	26,543	98,217
Other	<u>113,355</u>	<u>99,210</u>
Total revenues	<u>20,112,380</u>	<u>19,533,233</u>

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	8,198,670	8,012,627
Special	1,706,644	1,547,626
Vocational	206,687	248,235
Other	2,372,653	2,037,062
Support services:		
Pupil	794,816	816,158
Instructional staff	758,933	782,688
Board of education	521,318	433,389
Administration	1,824,514	1,908,321
Fiscal	372,482	388,320
Business	82,826	36,665
Operations and maintenance	1,549,429	1,511,319
Pupil transportation	966,821	957,503
Central	4,372	5,095
Operations of non-instructional services:		
Food service operations	864,707	869,892
Other non-instructional services	160,633	212,903
Extracurricular activities	687,071	677,044
Interest and fiscal charges	<u>158,934</u>	<u>167,393</u>
Total expenses	<u>21,231,510</u>	<u>20,612,240</u>
Change in net assets	(1,119,130)	(1,079,007)
Net assets at beginning of year	<u>5,449,556</u>	<u>6,528,563</u>
Net assets at end of year	<u>\$ 4,330,426</u>	<u>\$ 5,449,556</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,119,130 as a result of expenditures exceeding revenues in the current fiscal year and a moderate increase in current liabilities. Total governmental expenses of \$21,231,510 were offset by program revenues of \$4,212,455 and general revenues of \$15,899,925. Program revenues supported 19.84% of the total governmental expenses.

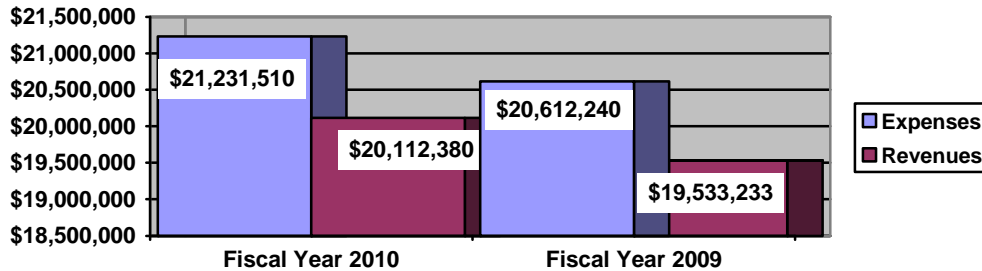
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 78.36% of total governmental revenue. Real estate property is reappraised every six years. The increase in expenditures is primarily due to an increase in instructional expenditures caused by increases in salaries and fringe benefit expenditures.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

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.

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 8,198,670	\$ 7,145,228	\$ 8,012,627	\$ 7,400,353
Special	1,706,644	674,149	1,547,626	114,940
Vocational	206,687	168,570	248,235	210,414
Other	2,372,653	1,989,046	2,037,062	1,701,800
Support services:				
Pupil	794,816	788,170	816,158	805,817
Instructional staff	758,933	673,159	782,688	764,147
Board of education	521,318	521,318	433,389	433,389
Administration	1,824,514	1,752,892	1,908,321	1,869,393
Fiscal	372,482	372,482	388,320	388,320
Business	82,826	82,826	36,665	36,665
Operations and maintenance	1,549,429	1,542,258	1,511,319	1,500,950
Pupil transportation	966,821	848,657	957,503	878,424
Central	4,372	4,372	5,095	5,095
Operations of non-instructional services				
Food service operations	864,707	(46,626)	869,892	(18,474)
Other non-instructional services	160,633	(23,589)	212,903	25,055
Extracurricular activities	687,071	367,209	677,044	396,425
Interest and fiscal charges	158,934	158,934	167,393	167,393
Total expenses	\$ 21,231,510	\$ 17,019,055	\$ 20,612,240	\$ 16,680,106

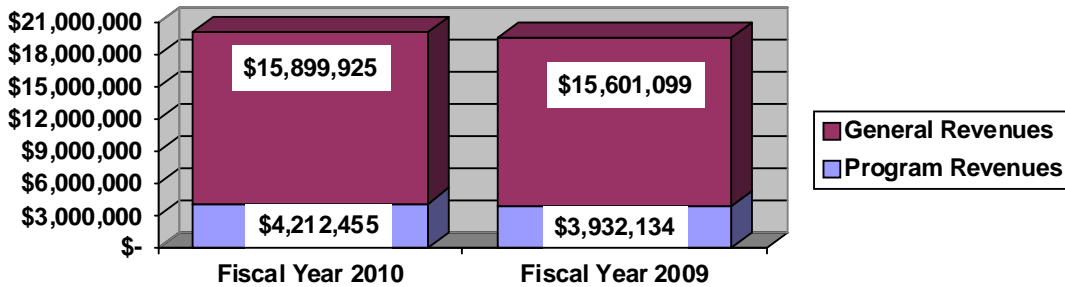
**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 79.91% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.16%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,331,163, which is lower than last year's total of \$3,624,839. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (Deficit) June 30, 2010	Fund Balance June 30, 2009	(Decrease)
General	\$ 1,115,818	\$ 1,828,670	\$ (712,852)
Debt service	1,231,766	1,290,909	(59,143)
Other Governmental	(16,421)	505,260	(521,681)
Total	\$ 2,331,163	\$ 3,624,839	\$ (1,293,676)

General Fund

The District's general fund, fund balance decreased by \$712,852. The table on the following page assists in illustrating the financial activities and fund balance of the general fund.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,714,751	\$ 5,035,921	(6.38) %
Tuition and fees	245,484	219,902	11.63 %
Earnings on investments	26,543	98,217	(72.98) %
Intergovernmental	10,759,704	10,783,350	(0.22) %
Other revenues	<u>123,227</u>	<u>135,315</u>	(8.93) %
 Total	 <u>\$ 15,869,709</u>	 <u>\$ 16,272,705</u>	 (2.48) %
<u>Expenditures</u>			
Instruction	\$ 9,589,821	\$ 10,198,798	(5.97) %
Support services	6,530,428	6,613,842	(1.26) %
Extracurricular activities	352,585	356,059	(0.98) %
Debt service	<u>54,973</u>	<u>54,973</u>	- %
 Total	 <u>\$ 16,527,807</u>	 <u>\$ 17,223,672</u>	 (4.04) %

The decrease in taxes of \$321,170 or 6.38% is due to the phase out of the tangible personal property tax. A portion of this decrease was made up for by an increase in intergovernmental revenues related to the hold harmless payments from the State. Interest revenue decreased due to lower interest rates on the District's investments. The District implemented cost saving measures which resulted in an overall decrease in general fund expenditures.

Debt Service Fund

The District's debt service fund, fund balance decreased by \$59,143. The District made the final debt service payment on general obligation bonds issued in 1985 and 1994 in fiscal year 2009, resulting in a significant decrease in debt service expenditures in 2010. The table that follows assists in illustrating the financial activities and fund balance of the debt service fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 157,399	\$ 179,648	(12.38) %
Intergovernmental	<u>63,333</u>	<u>99,856</u>	(36.58) %
Total	<u>\$ 220,732</u>	<u>\$ 279,504</u>	(21.03) %
<u>Expenditures</u>			
Support services	\$ 4,775	\$ 7,031	(32.09) %
Principal retirement	150,000	275,000	(45.45) %
Interest and fiscal charges	<u>125,100</u>	<u>138,087</u>	(9.40) %
Total	<u>\$ 279,875</u>	<u>\$ 420,118</u>	(33.38) %

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

General Fund Budgeting Highlights

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

During the course of fiscal 2010, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,649,603, which was \$590,528 higher than the original budgeted revenues and other financing sources estimate of \$17,059,075. Actual revenues and other financing sources for fiscal 2010 was \$17,625,845. This approximates the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$19,127,277 were increased to \$20,651,359 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$19,655,858, which was \$995,501 less than the final budget appropriations.

General fund regular instruction appropriations were higher than actual expenditures in 2010 as the result of additional teacher retirements that did not take place. Advance out appropriations were higher than actual advance made as the result of grant funds being received prior to fiscal year end that was initially anticipated to not be received until after fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$5,205,158 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 2010 balances compared to 2009:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 174,448	\$ 174,448
Land improvements	234,122	175,228
Building and improvements	3,362,617	3,470,754
Furniture and equipment	901,864	977,991
Vehicles	<u>532,107</u>	<u>485,931</u>
Total	<u>\$5,205,158</u>	<u>\$ 5,284,352</u>

The District acquired \$459,236 in capital asset additions during fiscal 2010. Total disposals to capital assets for 2009 were \$47,977 (net of accumulated depreciation). The District recorded \$490,453 in depreciation expense for fiscal 2010.

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Debt Administration

At June 30, 2010, the District had \$2,551,389 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$249,334 is due within one year and \$2,302,055 is due in greater than one year. The following table summarizes the bonds, loans and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2010	Governmental Activities 2009
General obligation bonds:		
Refunded elementary school renovation	\$ 2,150,000	\$ 2,300,000
Loans payable:		
Energy conservation	266,089	307,150
Capital lease obligations	135,300	177,594
Total	\$ 2,551,389	\$ 2,784,744

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, 2010, the District's overall legal debt margin was \$16,612,444 with an unvoted debt margin of \$194,785 and an energy conservation debt margin of \$1,486,979.

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

Current Financial Related Activities

On June 30, 2010, the District's unencumbered general fund balance was \$971,747. Unfortunately we anticipate that in 2011 our expenditures will again exceed our revenues by over \$417,000. Although our enrollment has been declining, we are optimistic that it will soon stabilize. Our last triennial update of property taxes took place in 2009 and the next reappraisal will be in tax year 2012. Our property valuation has dropped, home foreclosures are continuing and delinquent taxes are a concern in our district. The uncertain economic conditions have caused us to be very conservative in our revenue estimates. We did received federal stimulus money through the State foundation beginning in 2009 which will continue through June 2011.

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2011 will be set as part of the State's biennial budget for fiscal years 2012 and 2013. Due to the economic conditions in the State and the anticipated short fall in tax revenues in the next bi-annual budget, the level at which the State will fund schools is uncertain. On our five year forecast, State Foundation revenues for fiscal years 2012 to 2015 are presented at the same funding level as fiscal year 2011. If the State decreases funding for schools in

**WILLARD CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

fiscal years 2012 and 2013 and the same level continues through fiscal year 2015, the decrease will have a material effect on our school district.

Our expenditures continue to increase. Salaries are projected to increase approximately 2.5% annually based on negotiated agreements and scale step increases. A reduction in force was implemented beginning in August, 2010 saving us over \$370,000 in salaries and benefits per year after unemployment costs. We will continue to limit overtime for fiscal year 2011 as well as the use of substitute employees. Although new members are added to our health insurance during our open enrollment each September, both the certified and classified unions have working spouse language in their contracts currently saving us about \$250,000 per year. Purchased services have increased an average of 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. However, in our current forecast for 2011, we do show a decrease due to previous expenses in 2010 that will not continue in 2011. In 2010, we also began receiving additional ARRA funding for Title I and Idea Part B grants which will be used to cover expenses as needed.

We expect that supplies and capital expenditures will not increase this year as we have implemented cost cutting measures. We also had additional one time capital expenditures in previous years that we will not have from 2011 and beyond, therefore, in 2011 we anticipate a reduction. Increased utility costs, as well as increased costs for special education due to additional students, also continue to be a concern. 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 students. We will also continue to monitor our financial situation very closely. In 2010, our community did pass the renewal of our current 5 year operating levy for 5.6 mills.

The District met 21 indicators on the District Report Card this past year. The district met AYP (Adequate Yearly Progress). Richmond Elementary has once again been selected as a School of Promise based on substantial progress in ensuring high achievement for all students. Currently the district has Effective Schools in Central Elementary and the Willard Middle School. Richmond Elementary and Willard High School are considered Excellent Schools. Overall, the district is rated as an Effective School district.

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The District has been involved in the Ohio Improvement Process ("OIP") for the past two years. District administration and teaching staff identified three areas for growth: reading, math and graduation. The main strategies have been identified:

- a. Graduation: Implement research-based intervention strategies PK-12 to improve a sense of belonging within the school community resulting in improved academic achievement.
- b. Reading: Create/revise/implement common grade level reading assessment tools, PK-12, aligned to state standards.
- c. Math: Create/revise/implement common grade level math assessments that align to the PK-12 state standards.

Professional development is aligned to the OIP strategies.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Attendance levels at all grade levels have been maintained above 94.6% overall and the graduation rate of 90.6%. 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 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, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,528,755
Receivables:	
Taxes.	5,369,618
Accounts.	25,707
Intergovernmental	635,737
Prepayments	52,903
Materials and supplies inventory.	105,723
Unamortized bond issue costs	68,415
Capital assets:	
Land.	174,448
Depreciable capital assets, net.	5,030,710
Capital assets, net	5,205,158
 Total assets.	 14,992,016
 Liabilities:	
Accounts payable.	153,060
Accrued wages and benefits	1,695,808
Pension obligation payable.	442,560
Intergovernmental payable	148,644
Unearned revenue	4,410,755
Accrued interest payable	10,972
Long-term liabilities:	
Due within one year.	296,339
Due within more than one year	3,503,452
 Total liabilities	 10,661,590
 Net Assets:	
Invested in capital assets, net of related debt.	2,585,354
Restricted for:	
Capital projects	103,648
Debt service.	1,234,134
Locally funded programs	2,219
State funded programs.	59,608
Federally funded programs	31,001
Public school support	23,868
Student activities	134,470
Permanent endowment.	779
Other purposes	108,182
Unrestricted.	47,163
 Total net assets	 \$ 4,330,426

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 8,198,670	\$ 325,352	\$ 728,090	\$ (7,145,228)
Special	1,706,644	8,972	1,023,523	(674,149)
Vocational	206,687		38,117	(168,570)
Other	2,372,653		383,607	(1,989,046)
Support services:				
Pupil.	794,816		6,646	(788,170)
Instructional staff	758,933		85,774	(673,159)
Board of education	521,318			(521,318)
Administration.	1,824,514		71,622	(1,752,892)
Fiscal.	372,482			(372,482)
Business.	82,826			(82,826)
Operations and maintenance	1,549,429	6,441	730	(1,542,258)
Pupil transportation.	966,821	12,560	105,604	(848,657)
Central	4,372			(4,372)
Operation of non-instructional services:				
Other non-instructional services	160,633		184,222	23,589
Food service operations	864,707	331,264	580,069	46,626
Extracurricular activities.	687,071	309,308	10,554	(367,209)
Interest and fiscal charges	158,934			(158,934)
Totals	<u>\$ 21,231,510</u>	<u>\$ 993,897</u>	<u>\$ 3,218,558</u>	<u>(17,019,055)</u>

General Revenues:

Property taxes levied for:	
General purposes	4,790,343
Debt service.	158,762
Capital outlay.	150,440
Grants and entitlements not restricted	
to specific programs	10,660,482
Investment earnings	26,543
Miscellaneous	113,355
Total general revenues	<u>15,899,925</u>
Change in net assets	(1,119,130)
Net assets at beginning of year.	<u>5,449,556</u>
Net assets at end of year	<u>\$ 4,330,426</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<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.	\$ 1,723,037	\$ 1,208,348	\$ 597,370	\$ 3,528,755
Receivables:				
Taxes.	5,047,836	163,478	158,304	5,369,618
Accounts.	24,596		1,111	25,707
Interfund loans.	590,879			590,879
Intergovernmental			635,737	635,737
Prepayments.	52,903			52,903
Materials and supplies inventory.	69,519		36,204	105,723
Total assets	<u>\$ 7,508,770</u>	<u>\$ 1,371,826</u>	<u>\$ 1,428,726</u>	<u>\$ 10,309,322</u>
Liabilities:				
Accounts payable	\$ 60,319		\$ 92,741	\$ 153,060
Accrued wages and benefits.	1,453,418		242,390	1,695,808
Compensated absences payable	29,692			29,692
Interfund loans payable.			590,879	590,879
Intergovernmental payable	132,449		16,195	148,644
Unearned revenue.	3,921,887	\$ 126,720	362,148	4,410,755
Deferred revenue	400,098	13,340	93,323	506,761
Pension obligation payable	395,089		47,471	442,560
Total liabilities.	<u>6,392,952</u>	<u>140,060</u>	<u>1,445,147</u>	<u>7,978,159</u>
Fund Balances:				
Reserved for encumbrances	651,215		102,216	753,431
Reserved for supplies inventory	69,519		36,204	105,723
Reserved for prepayments.	52,903			52,903
Reserved for tax revenue unavailable for appropriation	725,851	23,418	23,051	772,320
Reserved for principal endowment.			779	779
Unreserved, undesignated (deficit), reported in:				
General fund.	(383,670)			(383,670)
Special revenue funds			(193,988)	(193,988)
Debt service fund		1,208,348		1,208,348
Capital projects funds			15,317	15,317
Total fund balances (deficit)	<u>1,115,818</u>	<u>1,231,766</u>	<u>(16,421)</u>	<u>2,331,163</u>
Total liabilities and fund balances	<u>\$ 7,508,770</u>	<u>\$ 1,371,826</u>	<u>\$ 1,428,726</u>	<u>\$ 10,309,322</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$	2,331,163
<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.			5,205,158
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	426,217	
Intergovernmental revenue		80,544	
		426,217	
Total			506,761
Unamortized bond issuance costs are not recognized in the funds.			68,415
Unamortized premiums on bond issuances are not recognized in the funds.			(189,884)
Unamortized deferred charges are not recognized in the funds.			121,469
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(10,972)
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		(2,150,000)	
Compensated absences		(1,150,295)	
Capital lease obligation payable		(135,300)	
Loans payable		(266,089)	
		(3,701,684)	
Total			(3,701,684)
Net assets of governmental activities		\$	4,330,426

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,714,751	\$ 157,399	\$ 148,180	\$ 5,020,330
Tuition	223,344			223,344
Transportation fees	12,560			12,560
Earnings on investments	26,543			26,543
Charges for services			331,264	331,264
Extracurricular			363,879	363,879
Classroom materials and fees	9,580		28,658	38,238
Rental income	6,441			6,441
Contributions and donations	28		9,977	10,005
Contract services	1,940			1,940
Other local revenues	114,818		14,740	129,558
Intergovernmental - intermediate			7,300	7,300
Intergovernmental - state	10,706,631	63,333	238,469	11,008,433
Intergovernmental - federal	53,073		2,836,023	2,889,096
Total revenue	<u>15,869,709</u>	<u>220,732</u>	<u>3,978,490</u>	<u>20,068,931</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,071,061		789,165	7,860,226
Special	430,840		1,280,859	1,711,699
Vocational	199,217			199,217
Other	1,888,703		475,783	2,364,486
Support services:				
Pupil	773,646		6,983	780,629
Instructional staff	622,333		92,020	714,353
Board of education	521,318			521,318
Administration	1,753,492	641	84,024	1,838,157
Fiscal	361,077	4,134	3,814	369,025
Business	82,826			82,826
Operations and maintenance	1,500,391		9,322	1,509,713
Pupil transportation	910,973		105,476	1,016,449
Central	4,372			4,372
Operation of non-instructional			160,247	160,247
Food service operations			846,173	846,173
Extracurricular activities	352,585		324,312	676,897
Facilities acquisition and construction			317,139	317,139
Debt service:				
Principal retirement	42,294	150,000	41,061	233,355
Interest and fiscal charges	12,679	125,100	22,041	159,820
Total expenditures	<u>16,527,807</u>	<u>279,875</u>	<u>4,558,419</u>	<u>21,366,101</u>
Deficiency of revenues under expenditures	(658,098)	(59,143)	(579,929)	(1,297,170)
Other financing sources (uses):				
Sale of assets	3,494			3,494
Transfers in			58,248	58,248
Transfers (out)	(58,248)			(58,248)
Total other financing sources (uses)	<u>(54,754)</u>		<u>58,248</u>	<u>3,494</u>
Net change in fund balances	(712,852)	(59,143)	(521,681)	(1,293,676)
Fund balances at beginning of year	<u>1,828,670</u>	<u>1,290,909</u>	<u>505,260</u>	<u>3,624,839</u>
Fund balances (deficit) at end of year	<u>\$ 1,115,818</u>	<u>\$ 1,231,766</u>	<u>\$ (16,421)</u>	<u>\$ 2,331,163</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**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, 2010**

Net change in fund balances - total governmental funds	\$	(1,293,676)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 459,236	
Current year depreciation	<u>(490,453)</u>	
Total		(31,217)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(47,977)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	79,215	
Intergovernmental	<u>(35,766)</u>	
Total		43,449
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.		
		233,355
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	886	
Amortization of bond premium	21,701	
Amortization of deferred charges on refundings	(13,882)	
Amortization of bond issue costs	<u>(7,819)</u>	
Total		886
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.		
		<u>(23,950)</u>
Change in net assets of governmental activities	\$	<u><u>(1,119,130)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Taxes	\$ 4,522,147	\$ 4,672,390	\$ 4,672,390	
Tuition	216,162	223,344	223,344	
Transportation fees	12,156	12,560	12,560	
Earnings on investments	30,300	31,307	31,307	
Classroom materials and fees	9,028	9,328	9,328	
Rental income	6,234	6,441	6,441	
Contributions and donations	27	28	28	
Contract services	1,878	1,940	1,940	
Other local revenues	107,273	134,595	110,837	\$ (23,758)
Intergovernmental - state	10,440,834	10,787,720	10,787,720	
Intergovernmental - federal	51,366	53,073	53,073	
Total revenue	15,397,405	15,932,726	15,908,968	(23,758)
Expenditures:				
Current:				
Instruction:				
Regular	7,033,082	7,593,486	7,227,441	366,045
Special	410,078	442,753	421,410	21,343
Vocational	192,131	207,441	197,441	10,000
Other	2,009,499	2,169,618	2,065,031	104,587
Support Services:				
Pupil	771,022	832,458	792,329	40,129
Instructional staff	673,037	726,665	691,636	35,029
Board of education	572,309	617,911	588,125	29,786
Administration	1,729,014	1,866,784	1,776,795	89,989
Fiscal	364,036	393,043	374,096	18,947
Business	296,373	319,988	304,563	15,425
Operations and maintenance	1,610,913	1,739,273	1,655,431	83,842
Pupil transportation	921,108	994,503	946,563	47,940
Central	7,845	8,470	8,062	408
Extracurricular activities	339,955	367,043	349,350	17,693
Total expenditures	16,930,402	18,279,435	17,398,273	881,162
Deficiency of revenues under expenditures	(1,532,997)	(2,346,709)	(1,489,305)	857,404
Other financing sources (uses):				
Refund of prior year's expenditures	79,478	82,119	82,119	
Transfers in	3,770	3,895	3,895	
Transfers (out)	(56,682)	(61,198)	(58,248)	2,950
Advances in	1,575,040	1,627,369	1,627,369	
Advances (out)	(2,140,193)	(2,310,726)	(2,199,337)	111,389
Sale of capital assets	3,382	3,494	3,494	
Total other financing sources (uses)	(535,205)	(655,047)	(540,708)	114,339
Net change in fund balance	(2,068,202)	(3,001,756)	(2,030,013)	971,743
Fund balance at beginning of year	1,943,684	1,943,684	1,943,684	
Prior year encumbrances appropriated	1,058,076	1,058,076	1,058,076	
Fund balance at end of year	\$ 933,558	\$ 4	\$ 971,747	\$ 971,743

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 17,709</u>
Liabilities:	
Accounts payable.	\$ 305
Due to students.	<u>17,404</u>
Total liabilities	<u>\$ 17,709</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 303rd largest in the State of Ohio (among 905 public and community school districts) in terms of enrollment. It is staffed by 94 non-certified employees and 154 certified full-time teaching personnel, who provide services to 1,838 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 and component units. 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 2010, the District paid \$182,535 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, Carrie Holida, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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) food service and uniform school supplies operations; and (c) grants and other resources whose use is restricted to a particular purpose.

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)

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 Nonexchange 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, 2010, but which were levied to finance fiscal year 2011 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, 2010 are recorded as deferred revenue.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

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 Commissions' 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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.

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 2010, investments were limited to 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 year 2010. 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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, 2010.

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 2010 amounted to \$26,543, which includes \$11,542 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 and donated commodities are presented at their entitlement value. 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 and purchased food.

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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

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.

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, 2010, 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, 2010 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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.

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 and loans 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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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. Net assets restricted for other purposes includes amounts restricted for food service operations.

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

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.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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 year 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Management information systems	\$ 30
Career tech	21
Poverty aid	12,246
IDEA Part-B	295,298
Education stabilization	47,514
Title II-D	5
School improvement	41
Title I	108,500
Drug-free schools	2
IDEA preschool grant	4,095
Improving teacher quality	12,927

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.

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:

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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);
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.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2010, the carrying amount of all District deposits was \$1,807,768. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,595,811 of the District's bank balance of \$1,845,811 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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.

C. Investments

As of June 30, 2010, 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>\$ 1,735,121</u>	<u>\$ 1,735,121</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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The District's only investments consist of funds held by STAR Ohio.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,807,768
Cash on hand	3,575
Investments	<u>1,735,121</u>
 Total	 <u>\$ 3,546,464</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,528,755
Agency funds	<u>17,709</u>
 Total	 <u>\$ 3,546,464</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statement:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 58,248</u>

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.

- B. Interfund loans receivable/payable consisted of the following at June 30, 2010, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 590,879</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

The District receives property taxes from Huron County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$725,851 in the general fund, \$23,418 in the debt service fund and \$23,051 in the permanent improvement capital projects fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$683,490 in the general fund, \$24,509 in the debt service fund and \$21,729 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 182,582,480	96.55	\$ 189,182,750	97.13
Public utility personal	<u>6,532,890</u>	<u>3.45</u>	<u>5,598,760</u>	<u>2.87</u>
Total	<u>\$ 189,115,370</u>	<u>100.00</u>	<u>\$ 194,781,510</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$46.95		\$46.65	
Permanenet improvements	1.00		1.00	
Debt service	1.00		0.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 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	\$ 5,369,618
Accounts	25,707
Intergovernmental	<u>635,737</u>
Total	<u>\$ 6,031,062</u>

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,448			\$ 174,448
Total capital assets, not being depreciated	<u>174,448</u>			<u>174,448</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	398,868	\$ 73,593		472,461
Buildings and improvements	11,694,784	190,729	\$ (12,638)	11,872,875
Furniture and equipment	2,064,727	38,902	(6,103)	2,097,526
Vehicles	1,097,770	156,012	(77,551)	1,176,231
Total capital assets, being depreciated	<u>15,256,149</u>	<u>459,236</u>	<u>(96,292)</u>	<u>15,619,093</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(223,640)	(14,699)		(238,339)
Buildings and improvements	(8,224,030)	(290,240)	4,012	(8,510,258)
Furniture and equipment	(1,086,736)	(115,029)	6,103	(1,195,662)
Vehicles	(611,839)	(70,485)	38,200	(644,124)
Total accumulated depreciation	<u>(10,146,245)</u>	<u>(490,453)</u>	<u>48,315</u>	<u>(10,588,383)</u>
Governmental activities capital assets, net	<u>\$ 5,284,352</u>	<u>\$ (31,217)</u>	<u>\$ (47,977)</u>	<u>\$ 5,205,158</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 245,211
Special	11,308
Vocational	5,154
<u>Support services:</u>	
Pupil	7,145
Instructional staff	40,718
Administration	61,749
Fiscal	1,790
Operations and maintenance	22,804
Pupil transportation	70,873
Operation of non-instructional	386
Extracurricular activities	8,773
Food service operations	<u>14,542</u>
Total depreciation expense	<u>\$ 490,453</u>

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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 \$234,471, 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, 2010 was \$100,488, leaving a current book value of \$133,983. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2010 fiscal year totaled \$42,294. 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.

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, 2010:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 54,973
2012	54,973
2013	<u>41,230</u>
Total minimum lease payment	151,176
Less: amount representing interest	<u>(15,876)</u>
Present value of minimum lease payments	<u>\$135,300</u>

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 07/01/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/10</u>	<u>Amount Due in One Year</u>
<u>G.O. Bonds Payable</u>								
School improvement refunding	2004	2020	Variable	\$ 2,300,000	-	\$ (150,000)	\$ 2,150,000	\$ 160,000
Total G.O. bonds				<u>2,300,000</u>	<u>-</u>	<u>(150,000)</u>	<u>2,150,000</u>	<u>160,000</u>
<u>Loans Payable</u>								
Energy conservation	2001	2016	5.85%	307,150	-	(41,061)	266,089	43,529
Total loans payable				<u>307,150</u>	<u>-</u>	<u>(41,061)</u>	<u>266,089</u>	<u>43,529</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				177,594	-	(42,294)	135,300	45,805
Compensated absences				1,171,259	\$ 17,313	(8,585)	1,179,987	47,005
Total other long-term obligations				<u>1,348,853</u>	<u>17,313</u>	<u>(50,879)</u>	<u>1,315,287</u>	<u>92,810</u>
Total governmental activities				<u>\$ 3,956,003</u>	<u>\$ 17,313</u>	<u>\$ (241,940)</u>	<u>3,731,376</u>	<u>\$ 296,339</u>
Less: unamortized deferred charge on refunding							(121,469)	
Add: unamortized premium on bonds							<u>189,884</u>	
Total on statement of net assets							<u>\$ 3,799,791</u>	

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).

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	195,000	87,938	282,938	51,855	6,393	58,248
2015	205,000	76,938	281,938	54,971	3,277	58,248
2016 - 2020	1,240,000	186,012	1,426,012	20,706	412	21,118
Total	<u>\$2,150,000</u>	<u>\$ 673,963</u>	<u>\$2,823,963</u>	<u>\$266,089</u>	<u>\$ 46,268</u>	<u>\$ 312,357</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, 2010, are a voted debt margin of \$16,612,444 (including available funds of \$1,231,766) and an unvoted debt margin of \$194,785 and an unvoted energy conservation debt margin of \$1,486,979.

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.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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 2010, 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	\$34,999,779
Inland Marine Coverage	500	included
Athletic Equipment		50,000
Camera and Audio Video		50,000
Fine Arts		50,000
Signs		10,000
Dwelling-Vocational		100,000
Musical Instruments, Band and Choir Equipment	500	223,500
General Liability	N/A	1,000,000/1,000,000
Employers Stop Gap Liability		N/A/1,000,000/3,000,000
School Professional Errors and Omissions Liability	10,000	1,000,000/100,000 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 2009.

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.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2010, 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.

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, disability, survivor 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 *Employers/Audit Resources*.

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 2010, 12.78 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, 2010, 2009 and 2008 were \$273,897, \$189,484 and \$188,484, respectively; 42.79 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13 - PENSION PLANS - (Continued)

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. 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 2010, 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, 2010, 2009 and 2008 were \$1,149,852, \$1,134,302 and \$1,115,841, respectively; 83.92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$13,006 made by the District and \$9,920 made by the plan members.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$42,794, \$127,740 and \$127,517, respectively; 42.79 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$16,288, \$15,610 and \$13,581, respectively; 42.79 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, 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, 2010, 2009, and 2008 were \$88,450, \$87,254 and \$85,834, respectively; 83.92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 revenues, 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);

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

- (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); and,
- (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	\$(2,030,013)
Net adjustment for revenue accruals	(39,259)
Net adjustment for expenditure accruals	120,255
Net adjustment for other sources/uses	485,954
Adjustment for encumbrances	<u>750,211</u>
GAAP basis	<u>\$ (712,852)</u>

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

A lawsuit is pending against the District. In the opinion of the District's Legal Counsel, no liability is anticipated in excess of insurance coverage.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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	Capital Improvements
Set Aside Reserve Balance June 30, 2009		
Current Year Set Aside Requirement	\$307,475	\$307,475
Current Year Qualifying Expenditures	(187,513)	(245,008)
Excess Qualified Expenditures from Prior Years	(597,728)	
Current Year Offsets		(146,858)
Total	\$ (477,766)	\$ (84,391)
Balance Carried Forward to Fiscal Year 2011	\$ (477,766)	

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 AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	\$ 41,905	\$ 41,905
Cash Assistance		<u>425,573</u>	<u>425,573</u>
Total - National School Lunch Program		467,478	467,478
School Breakfast Program	10.553	<u>96,137</u>	<u>96,137</u>
<i>Total Nutrition Cluster</i>		563,615	563,615
Team Nutrition Grants	10.574	<u>2,000</u>	<u>1,303</u>
Child Nutrition Discretionary Grants - ARRA	10.579	<u>7,115</u>	<u>7,115</u>
Total - U.S. Department of Agriculture		<u>572,730</u>	<u>572,033</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education-Grants to States	84.027	372,491	432,589
Special Education-Preschool Grants	84.173	7,258	15,176
Special Education-Grants to States - ARRA	84.391	482,734	486,077
Special Education-Preschool Grants - ARRA	84.392	<u>13,517</u>	<u>11,967</u>
Total - Special Education Cluster		<u>876,000</u>	<u>945,809</u>
Title I, Part A Cluster:			
Grants to Local Educational Agencies	84.010	249,926	541,711
School Improvement Sub A	84.010	<u>50,000</u>	<u>54,009</u>
Total - Title I		299,926	595,720
Title I Grants to Local Education Agencies - ARRA	84.389	<u>44,800</u>	<u>95,676</u>
Total - Title I, Part A Cluster		<u>344,726</u>	<u>691,396</u>
Migrant Education Basic State Grant Program 2009	84.011	102,156	85,126
Migrant Education Basic State Grant Program 2010	84.011	<u>118,063</u>	<u>166,106</u>
Total - Migrant Education		220,219	251,232
Safe and Drug-Free Schools and Communities - State Grants	84.186	6,009	8,624

(Continued)

WILLARD CITY SCHOOL DISTRICT
HURON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
Technology Literacy Challenge Fund	84.318	2,049	4,913
Improving Teacher Quality State Grants	84.367	24,466	105,036
English Language Acquisition Grant	84.365	12,931	12,931
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	526,375	526,375
Total - U.S. Department of Education		2,012,775	2,546,316
TOTAL FEDERAL AWARDS EXPENDITURES		\$2,585,505	\$3,118,349

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2011. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 3, 2011.

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



Dave Yost
Auditor of State

March 3, 2011



Dave Yost • Auditor of State

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

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 3, 2011.

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



Dave Yost
Auditor of State

March 3, 2011

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA #84.010 and 84.389, Special Education Cluster CFDA # 84.027, 84.173, 84.391, and 84.392, State Fiscal Stabilization Fund CFDA # 84.394, and Nutrition Cluster CFDA # 10.555 and 10.553
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Finding for Recovery

Article III of the Master Agreement Contract (the "Agreement") between the Willard Board of Education and the Willard Education Association, effective July 1, 2009, sets forth a salary schedule to be used for paying all teachers of the District. Pursuant to the Agreement, each teacher's contract for the school year is based upon 183 days, with 1 additional day's pay for professional development and any extended days, all of which are to be paid at the same daily rate of pay.

There was an error made when preparing the 2009-2010 school year salary notifications to certain Willard City School District teachers. As a result, the following teachers were over-compensated as follows:

<u>Teacher</u>	<u>Master Agreement</u>	<u>Salary Notification</u>	<u>Over Paid</u>
Mary Appellof	\$55,962	\$56,897	\$935
Richard Benich	71,586	72,745	1,159
Lisa Bogner	65,719	66,706	987
Diane Bowman	57,501	58,435	934
Linda Chandler	55,962	56,897	935
Nancy Daniel	60,576	61,510	934
Sue Garner	59,038	59,973	935
Sandra Gilmore	57,501	58,435	934
Kathy Harter	60,576	61,510	934
David Hirschy, Jr.	59,038	59,973	935
Kim Jacobs	59,038	59,973	935
Betty Kelly	62,114	63,048	934
Susan Loper	59,038	59,973	935
Vickie Mawhorr	62,114	63,048	934
Susan Moore	59,038	59,973	935
Susan Schneider	62,114	63,048	934
Dianne Steinmetz	68,874	69,908	1,034
Michael Strance	60,576	61,510	934
Rebecca Taylor	57,501	58,435	934
Kathryn Thornton	55,962	56,897	935
Richard Willoughby	60,576	61,510	934
Susan Zdroik	59,038	59,973	935
Total			<u><u>\$20,935</u></u>

**FINDING NUMBER 2010-001
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the above named individuals, in the amounts noted in the above schedule and in favor of the Willard City School District General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Certain Willard City School District officials signed the salary notifications which resulted in improper payments. Board President Thomas Showman and School Treasurer Cynthia Shoup, and their bonding company, Auto Owners Insurance, are jointly and severally liable in the amount of \$20,935 in favor of the Willard City School District General Fund to the extent that recovery is not obtained from each of the individuals in the amounts noted in the above schedule.

Officials’ Response:

The District offered these individuals options to correct this error. The teachers’ opted to accept repaying the amounts overpaid over the remaining payroll periods of the current negotiated contract. Additional procedures have been adopted by the District to ensure all future salary notices and salary schedules have been appropriately reviewed by all parties prior to payroll being processed.

FINDING NUMBER 2010-002

Finding for Recovery Repaid Under Audit

Article III of the Master Agreement Contract (the “Agreement”) between the Willard Board of Education and the Willard Education Association, effective July 1, 2009, sets forth a salary schedule to be used for paying all teachers of the District. Pursuant to the Agreement, each teacher’s contract for the school year is based upon 183 days, with 1 additional day’s pay for professional development and any extended days, all of which are to be paid at the same daily rate of pay.

There was an error made when preparing the 2009-2010 school year salary notifications to certain Willard City School District teachers. As a result, the following teachers were over-compensated as follows:

Teacher	Master Agreement	Salary Notification	Over Paid
Tangi Dials	59,038	59,973	935
Lynnette Garlough	67,887	69,207	1,320
Total			\$2,255

**FINDING NUMBER 2010-002
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the above named individuals, in the amounts noted in the above schedule and in favor of the Willard City School District General Fund.

These overpayments were repaid on December 10, 2010 and December 22, 2010 by a payroll deduction from Tangi Dials and Lynnette Garlough.

Officials' Response:

The District has corrected this situation with a deduction in the December 10th and 22nd, 2010 payrolls. Additional procedures have been adopted by the District to ensure all future salary notices and salary schedules have been appropriately reviewed by all parties prior to payroll being processed.

FINDING NUMBER 2010-003

Finding for Recovery

Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. The expenditure is to further a public purpose, even if an incidental private end is advanced.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specially, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only." 1982 Op. Atty. Gen. No. 82-006

During the period of September 8, 2008 through December 8, 2009, the District's Missler's IGA account was charged \$1,828 for ink cartridges, candy, potato chips, cookies, and snack packs. Melodie Adelman, former Food Service Supervisor, initiated and approved these purchases, and no evidence can be found that such items purchased were used for school-related purposes. Mrs. Adelman did not reimburse the District for these items purchased.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Melodie Adelman, former Food Service Supervisor, in the amount of \$1,828, in favor of the Willard City School District Food Service Fund.

Officials' Response:

We did not receive a response form Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding for recovery for public money illegally expended for the purchase of beverages and water by prior Food Service Supervisor	No	This finding has not been repaid.
2009-002	Finding for recovery for public money illegally expended for the purchase of food items and supplies by prior Food Service Supervisor	No	This finding has not been repaid and a similar finding for recovery has been issued in this audit report as item 2010-003.
2009-003	Excessive breakfast and meals claimed for reimbursement which were not served	Yes	
2009-004	Excessive breakfast claimed for students who were not students of the District	Yes	
2009-005	District not submitting the A-133 reporting package within the nine month period allowed	Yes	

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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 17, 2011**