

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

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013***

**CYNDI SHOUP, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Willard City School District  
110 S. Myrtle Avenue  
Willard, Ohio 44890

We have reviewed the *Independent Auditor's Report* of the Willard City School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Willard City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 14, 2014

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Willard City School District  
Huron County  
110 S. Myrtle Avenue  
Willard, Ohio 44890

To the Board of Education:

***Report on the Financial Statements***

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, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Willard City School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the Willard City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Willard City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 12, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities increased \$355,512 which represents a 1.01% increase from 2012.
- General revenues accounted for \$16,524,576 in revenue or 81.22% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,820,593 or 18.78% of total revenues of \$20,345,169.
- The District had \$19,989,657 in expenses related to governmental activities; only \$3,820,593 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,524,576 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$15,378,867 in revenues and other financing sources and \$16,193,322 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance decreased \$814,455 from a balance of \$285,039 to a deficit balance of \$529,416.
- The District's other major governmental fund, the classroom facilities fund, had \$13,519,420 in revenues and \$3,444,538 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance increased \$10,074,882 from a balance of \$18,590,323 to a balance of \$28,665,205.

**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 position* 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 the classroom facilities 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, 2013

**Reporting the District as a Whole**

***Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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 position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* 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 position 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.

The District's statement of net position and statement of activities can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. 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 the classroom facilities 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***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. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 21. 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, 2013

*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. These notes to the basic financial statements can be found on pages 22-54 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. Net position at June 30, 2012 has been restated as described in Note 3.A to the basic financial statements. The 2012 amounts for liabilities, deferred outflows and deferred inflows have been reclassified to conform to 2013 presentation.

The table below provides a summary of the District's net position for 2013 and 2012.

	<b>Net Position</b>	
	Governmental Activities <u>2013</u>	Restated Governmental Activities <u>2012</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 58,695,493	\$ 62,680,829
Capital assets, net	<u>10,481,103</u>	<u>6,287,940</u>
Total assets	<u>69,176,596</u>	<u>68,968,769</u>
<b><u>Deferred outflows of resources</u></b>	<u>79,823</u>	<u>93,705</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,086,027	3,231,305
Long-term liabilities	<u>25,533,252</u>	<u>25,414,722</u>
Total liabilities	<u>28,619,279</u>	<u>28,646,027</u>
<b><u>Deferred inflows of resources</u></b>	<u>4,915,877</u>	<u>5,050,696</u>
<b><u>Net Position</u></b>		
Investment in capital assets	5,244,176	2,494,820
Restricted	31,581,725	33,551,764
Unrestricted (deficit)	<u>(1,104,638)</u>	<u>(680,833)</u>
Total net position	<u>\$ 35,721,263</u>	<u>\$ 35,365,751</u>

Net position increased \$355,512 or 1.01%, from a restated balance of \$35,365,751 to \$35,721,263.

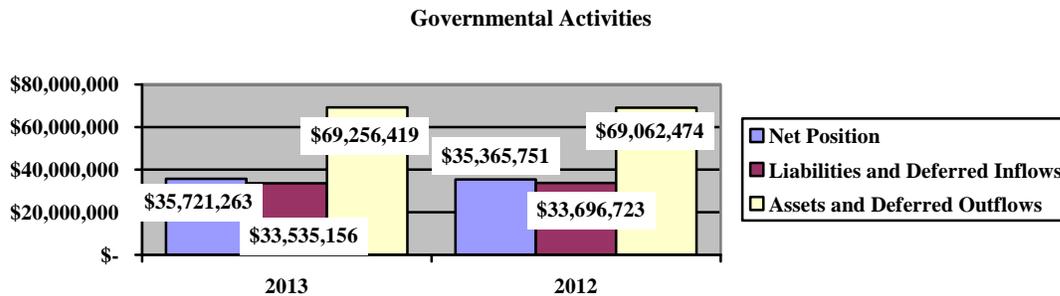
**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

At year-end, capital assets represented 15.15% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was \$5,244,176. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$31,581,725, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$1,104,638.

The graph below shows the District's assets, liabilities and net position at June 30, 2013 and 2012:



The table below shows the change in net position for fiscal years 2013 and 2012.

	<b>Change in Net Position</b>	
	Governmental Activities 2013	Restated Governmental Activities 2012
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 786,632	\$ 816,063
Operating grants and contributions	2,941,448	3,076,443
Capital grants and contributions	92,513	78,006
General revenues:		
Property taxes	5,449,810	4,792,891
Income taxes	1,289,085	271,515
Grants and entitlements	9,625,899	42,402,886
Investment earnings	8,439	7,513
Other	151,343	159,612
<b>Total revenues</b>	<b>20,345,169</b>	<b>51,604,929</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Change in Net Position**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	7,225,289	7,686,636
Special	1,487,600	1,623,741
Vocational	214,336	211,073
Other	2,038,855	2,236,454
Support services:		
Pupil	680,675	794,018
Instructional staff	521,977	707,270
Board of education	506,828	461,595
Administration	1,905,876	1,809,946
Fiscal	394,172	296,001
Business	38,939	44,909
Operations and maintenance	1,274,301	1,233,843
Pupil transportation	837,911	858,452
Central	4,459	4,028
Operations of non-instructional services:		
Other non-instructional services	210,113	210,084
Food service operations	967,336	940,163
Extracurricular activities	589,487	603,001
Interest and fiscal charges	<u>1,091,503</u>	<u>1,473,187</u>
Total expenses	<u>19,989,657</u>	<u>21,194,401</u>
Change in net position	355,512	30,410,528
Net position at beginning of year (restated)	<u>35,365,751</u>	<u>4,955,223</u>
Net position at end of year	<u>\$ 35,721,263</u>	<u>\$ 35,365,751</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$355,512. Total governmental expenses of \$19,989,657 were offset by program revenues of \$3,820,593 and general revenues of \$16,524,576. Program revenues supported 19.11% of the total governmental expenses.

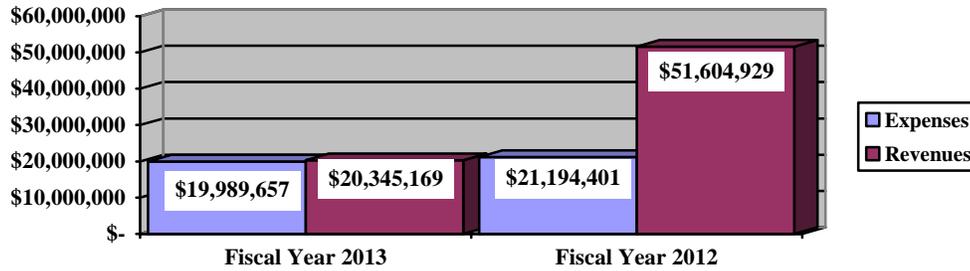
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 80.44% of total governmental revenue. Real estate property is reappraised every six years. The increase in tax revenue is the result of the District's new .75 percent income tax levy that was effective January 1, 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.

**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 <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,225,289	\$ 6,689,118	\$ 7,686,636	\$ 7,096,179
Special	1,487,600	(89,785)	1,623,741	201,468
Vocational	214,336	175,933	211,073	172,670
Other	2,038,855	1,842,013	2,236,454	1,920,520
Support services:				
Pupil	680,675	679,918	794,018	794,018
Instructional staff	521,977	519,470	707,270	633,662
Board of education	506,828	506,828	461,595	461,595
Administration	1,905,876	1,806,654	1,809,946	1,764,652
Fiscal	394,172	383,927	296,001	293,632
Business	38,939	38,939	44,909	44,909
Operations and maintenance	1,274,301	1,262,981	1,233,843	1,226,848
Pupil transportation	837,911	806,452	858,452	822,238
Central	4,459	4,459	4,028	4,028
Operations of non-instructional services				
Other non-instructional services	210,113	10,048	210,084	1,574
Food service operations	967,336	90,988	940,163	(20,177)
Extracurricular activities	589,487	349,618	603,001	332,886
Interest and fiscal charges	<u>1,091,503</u>	<u>1,091,503</u>	<u>1,473,187</u>	<u>1,473,187</u>
<b>Total expenses</b>	<u>\$ 19,989,657</u>	<u>\$ 16,169,064</u>	<u>\$ 21,194,401</u>	<u>\$ 17,223,889</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The dependence upon tax and other general revenues for governmental activities is apparent, 78.58% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.89%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students. In 2012, the District received a \$32,538,753 grant from the Ohio School Facilities Commission for school construction, which caused a large decrease between fiscal year 2012 and fiscal year 2013.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$31,391,785, which is \$9,287,634 greater than last year's total of \$22,104,151. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance (Deficit) <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	Increase / <u>(Decrease)</u>
General	\$ (529,416)	\$ 285,039	\$ (814,455)
Classroom facilities	28,665,205	18,590,323	10,074,882
Other governmental	<u>3,255,996</u>	<u>3,228,789</u>	<u>27,207</u>
Total	<u>\$ 31,391,785</u>	<u>\$22,104,151</u>	<u>\$ 9,287,634</u>

***General Fund***

The District's general fund, fund balance decreased by \$814,455. 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, 2013

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,688,819	\$ 4,093,291	14.55 %
Tuition and fees	173,033	222,758	(22.32) %
Earnings on investments	8,439	7,513	12.33 %
Intergovernmental	10,139,338	10,448,585	(2.96) %
Other revenues	<u>223,251</u>	<u>244,322</u>	(8.62) %
 Total	 <u>\$ 15,232,880</u>	 <u>\$ 15,016,469</u>	 1.44 %
<b><u>Expenditures</u></b>			
Instruction	\$ 9,737,084	\$ 9,506,065	2.43 %
Support services	5,769,709	5,857,578	(1.50) %
Extracurricular activities	350,200	333,041	5.15 %
Capital outlay	144,987	-	100.00 %
Debt service	<u>91,094</u>	<u>85,813</u>	6.15 %
 Total	 <u>\$ 16,093,074</u>	 <u>\$ 15,782,497</u>	 1.97 %

The increase in taxes of \$595,528 or 14.55% is due in part to an increase in the amount of taxes available for advance. This can fluctuate due to the timing of the tax bills sent from the County. The District entered into a new capital lease for copier equipment, which resulted in capital outlay expenditures of \$144,987.

***Classroom Facilities Fund***

The District's classroom facilities fund had \$13,519,420 in revenues and \$3,444,538 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance increased \$10,074,882 from \$18,590,323 to \$28,665,205. The increase in fund balance was a result of the District receiving intergovernmental revenue from the Ohio School Facilities Commission for the District's building project.

***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.

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$15,733,919, which was \$891,790 greater than the original budgeted revenues and other financing sources estimate of \$14,842,129. Actual revenues and other financing sources for fiscal year 2013 was \$15,732,284, a decrease of \$1,635 from the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,892,737 were increased to \$17,120,447 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$17,113,494, which was \$6,953 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2013, the District had \$10,481,103 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2013 balances compared to 2012:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 174,448	\$ 174,448
Construction in progress	5,621,460	1,096,977
Land improvements	412,565	441,312
Building and improvements	2,830,969	3,104,897
Furniture and equipment	997,672	1,012,424
Vehicles	<u>443,989</u>	<u>457,882</u>
<b>Total</b>	<b><u>\$ 10,481,103</u></b>	<b><u>\$ 6,287,940</u></b>

The District acquired \$4,785,770 in capital asset additions during fiscal year 2013. Total disposals to capital assets for 2013 were \$102,127 (net of accumulated depreciation). The District recorded \$490,480 in depreciation expense for fiscal year 2013.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2013, the District had \$23,429,836 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$755,063 is due within one year and \$22,674,773 is due in greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The following table summarizes the bonds, loans and lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
General obligation bonds:		
Refunded elementary school renovation	\$ 1,640,000	\$ 1,820,000
Series 2011 A	10,566,986	10,517,993
Series 2011 B	10,533,066	10,509,350
Loans payable:		
Energy conservation	127,532	176,448
Capital improvement loan	50,828	74,747
Capital improvement loan	300,000	-
Capital lease obligations	<u>211,424</u>	<u>133,763</u>
 Total	 <u>\$ 23,429,836</u>	 <u>\$ 23,232,301</u>

In fiscal year 2012, the District issued general obligation bonds, Series 2011 A & Series 2011 B, providing for the District's share of the Ohio School Facilities Commission (OSFC) project. These general obligation bonds are scheduled to mature in fiscal year 2044 and bear a variable interest rate. Payment of principal and interest on the bonds are being made from the debt service fund (a nonmajor governmental fund).

In 1994, the District issued general obligation bonds, providing for the renovation of the District's elementary school. In 2004, the District refunded these general obligation bonds. These general obligation bonds are scheduled to mature in fiscal year 2020 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 (a nonmajor governmental fund).

At June 30, 2013, the District's overall legal debt margin was \$7,300,147, with an unvoted debt margin of \$194,486, and an energy conservation debt margin of \$1,622,840.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The Willard City Schools recorded an unencumbered balance of \$127,674 in the general fund on June 30, 2013. Total revenue collected for 2013 for the general fund, was \$15,199,690 on a cash basis, which does not include other financing sources, such as repayments of advances. Total expenditures for the general fund were \$15,859,486 on a cash basis, which did not include transfers and advances. In June 2012, we had a large reduction in force saving the district \$761,648 in wages and benefits. Although we had an overall decrease in expenditures of \$681,987 in the general fund, our revenues also decreased by \$593,950. In September, 2011 our enrollment was 1,830 students and in October, 2012 it was 1,792. Currently our enrollment is 1,724 which is down 106 in the past two years. Another concern is the reduction the property tax allocation which is down a total of \$991,531 in the past three years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

We are currently in the process of building a new K-12 school in conjunction with the Ohio School Facilities. Therefore, capital outlay from the general fund should continue to decrease. Our supply budgets have been cut over 30% in the past year savings us \$146,436. With the recent reduction in force and cuts in our operating budget, we continue to try to keep our operating costs as low as possible while still meeting the needs of our students. In 2014, we will need to renew our 5 year emergency operating levy for 5.6 mils in order to continue collections of approximately \$1,200,000 yearly.

The City of Willard is in the midst of a rebuilding process which includes a new hospital, a new K-12 educational facility, Pepperidge Farms is putting up a \$90,000,000 addition, RR Donnelly's is adding additional jobs, and there are several new retail businesses moving to the area. Willard has a rich tradition of educational excellence, outstanding performing arts, and strong athletic teams. The Willard City School district is approximately ninety square miles in size and has an enrollment of 1,724 students.

The Willard City School district is continually striving for excellence. While the district is coming off an *Effective* rating on the 2012 report card, we are expecting to have a similar rating on the 2013 report card, with a "C" rating. K-6 are going to be the targeted areas of concern and the district will be focusing on three areas: literacy, numeracy, and graduation rate. The primary focus of the 2013-2014 school year will be that of literacy. The district has reconvened the District Leadership Team in the Ohio Improvement Process and looked at the available data to set upcoming educational goals. The teachers and administrators are currently working together to formulate plans for the Ohio Teacher Evaluation System, the Resident Educator Process, and applying for the Straight "A" grant. Through this grant there will be an intensive focus on the Third Grade Guarantee, on "Flipped" classrooms, and in technology. The administration continues to work on improving the Walk-Through Evaluation process, and the Race to the Top Committee is focusing on formative assessments. One of the areas for improvement will be in the implementation of Response To Intervention (RTI). RTI will be developed and implemented over the course of the next five years. The implementation of RTI will allow us to focus on two areas of concern which are students with disabilities and ESL students.

**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, 110 S. Myrtle Avenue, Willard, Ohio, 44890-0150.

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 32,522,075
Receivables:	
Property taxes . . . . .	6,367,355
Income taxes . . . . .	503,530
Accounts . . . . .	25,649
Accrued interest . . . . .	130,140
Intergovernmental . . . . .	18,994,409
Prepayments . . . . .	113,770
Materials and supplies inventory . . . . .	38,565
Capital assets:	
Nondepreciable capital assets . . . . .	5,795,908
Depreciable capital assets, net . . . . .	4,685,195
Capital assets, net . . . . .	10,481,103
Total assets . . . . .	69,176,596
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	79,823
Total deferred outflows of resources . . . . .	79,823
 <b>Liabilities:</b>	
Accounts payable . . . . .	117,219
Contracts payable . . . . .	243,156
Accrued wages and benefits payable . . . . .	1,869,570
Pension obligation payable . . . . .	342,989
Intergovernmental payable . . . . .	78,859
Accrued interest payable . . . . .	434,234
Long-term liabilities:	
Due within one year . . . . .	884,772
Due in more than one year . . . . .	24,648,480
Total liabilities . . . . .	28,619,279
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	4,915,877
Total deferred inflows of resources . . . . .	4,915,877
 <b>Net position:</b>	
Net investment in capital assets . . . . .	5,244,176
Restricted for:	
Capital projects . . . . .	29,024,609
Permanent endowment . . . . .	779
Classroom facilities maintenance . . . . .	230,371
Debt service . . . . .	1,808,626
Locally funded programs . . . . .	11,238
State funded programs . . . . .	12,556
Federally funded programs . . . . .	337,832
Student activities . . . . .	152,490
Other purposes . . . . .	3,224
Unrestricted (deficit) . . . . .	(1,104,638)
Total net position . . . . .	\$ 35,721,263

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, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>	<u>Changes in</u>
					<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 7,225,289	\$ 227,202	\$ 216,456	\$ 92,513	\$ (6,689,118)
Special . . . . .	1,487,600	-	1,577,385	-	89,785
Vocational . . . . .	214,336	-	38,403	-	(175,933)
Other . . . . .	2,038,855	-	196,842	-	(1,842,013)
Support services:					
Pupil . . . . .	680,675	-	757	-	(679,918)
Instructional staff . . . . .	521,977	-	2,507	-	(519,470)
Board of education . . . . .	506,828	-	-	-	(506,828)
Administration . . . . .	1,905,876	-	99,222	-	(1,806,654)
Fiscal . . . . .	394,172	-	10,245	-	(383,927)
Business . . . . .	38,939	-	-	-	(38,939)
Operations and maintenance . . . . .	1,274,301	8,946	2,374	-	(1,262,981)
Pupil transportation . . . . .	837,911	10,071	21,388	-	(806,452)
Central . . . . .	4,459	-	-	-	(4,459)
Operation of non-instructional services:					
Other non-instructional services . . . . .	210,113	-	200,065	-	(10,048)
Food service operations . . . . .	967,336	329,867	546,481	-	(90,988)
Extracurricular activities . . . . .	589,487	210,546	29,323	-	(349,618)
Interest and fiscal charges . . . . .	1,091,503	-	-	-	(1,091,503)
<b>Total governmental activities . . . . .</b>	<b>\$ 19,989,657</b>	<b>\$ 786,632</b>	<b>\$ 2,941,448</b>	<b>\$ 92,513</b>	<b>(16,169,064)</b>
<b>General revenues:</b>					
Property taxes levied for:					
					4,750,218
					583,757
					115,835
Income taxes levied for:					
					1,289,085
Grants and entitlements not restricted to specific programs . . . . .					
					9,625,899
					8,439
					151,343
					<u>16,524,576</u>
					Change in net position . . . . . 355,512
					<u>Net position at beginning of year (restated) . 35,365,751</u>
					<u>Net position at end of year . . . . . \$ 35,721,263</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 612,588	\$ 28,689,757	\$ 3,219,730	\$ 32,522,075
Receivables:				
Property taxes. . . . .	5,551,757	-	815,598	6,367,355
Income taxes . . . . .	-	-	503,530	503,530
Accounts . . . . .	24,938	-	711	25,649
Accrued interest . . . . .	-	130,140	-	130,140
Interfund loans . . . . .	161,119	-	-	161,119
Intergovernmental. . . . .	97,191	18,562,486	334,732	18,994,409
Prepayments. . . . .	59,571	54,199	-	113,770
Materials and supplies inventory. . . . .	20,729	-	17,836	38,565
Total assets . . . . .	<u>\$ 6,527,893</u>	<u>\$ 47,436,582</u>	<u>\$ 4,892,137</u>	<u>\$ 58,856,612</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 66,943	\$ -	\$ 50,276	\$ 117,219
Contracts payable. . . . .	-	174,655	68,501	243,156
Accrued wages and benefits payable . . . . .	1,691,106	-	178,464	1,869,570
Compensated absences payable . . . . .	64,250	-	-	64,250
Interfund loans payable. . . . .	-	-	161,119	161,119
Intergovernmental payable . . . . .	71,800	-	7,059	78,859
Pension obligation payable . . . . .	307,987	-	35,002	342,989
Total liabilities. . . . .	<u>2,202,086</u>	<u>174,655</u>	<u>500,421</u>	<u>2,877,162</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	4,279,915	-	635,962	4,915,877
Delinquent property tax revenue not available. . . . .	515,959	-	74,652	590,611
Accrued interest not available. . . . .	-	34,236	-	34,236
Income tax revenue not available . . . . .	-	-	93,671	93,671
Intergovernmental revenue not available . . . . .	59,349	18,562,486	331,435	18,953,270
Total deferred inflows of resources . . . . .	<u>4,855,223</u>	<u>18,596,722</u>	<u>1,135,720</u>	<u>24,587,665</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	20,729	-	17,836	38,565
Prepays. . . . .	59,571	54,199	-	113,770
Permanent fund . . . . .	-	-	779	779
Restricted:				
Debt service . . . . .	-	-	2,281,063	2,281,063
Capital improvements . . . . .	-	28,611,006	635,200	29,246,206
Classroom facilities maintenance . . . . .	-	-	230,371	230,371
Food service operations . . . . .	-	-	15,135	15,135
Migrant program . . . . .	-	-	43,616	43,616
Non-public schools . . . . .	-	-	7,673	7,673
Extracurricular. . . . .	-	-	152,490	152,490
Other purposes. . . . .	-	-	21,238	21,238
Committed:				
Capital improvements . . . . .	-	-	4,854	4,854
Assigned:				
Student instruction . . . . .	15,434	-	-	15,434
Student and staff support. . . . .	400,763	-	-	400,763
School supplies. . . . .	17,279	-	-	17,279
Other purposes. . . . .	-	-	1,718	1,718
Unassigned . . . . .	(1,043,192)	-	(155,977)	(1,199,169)
Total fund balances . . . . .	<u>(529,416)</u>	<u>28,665,205</u>	<u>3,255,996</u>	<u>31,391,785</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,527,893</u>	<u>\$ 47,436,582</u>	<u>\$ 4,892,137</u>	<u>\$ 58,856,612</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$	31,391,785
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,481,103
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	590,611	
Income taxes receivable		93,671	
Accrued interest receivable		34,236	
Intergovernmental receivable		18,953,270	
Total		19,671,788	19,671,788
Unamortized premiums on bonds issued are not recognized in the funds.			(1,021,864)
Unamortized amounts on refundings are not recognized in the funds.			79,823
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(434,234)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(22,740,052)	
Capital lease obligations		(211,424)	
Compensated absences		(1,017,302)	
Loans payable		(478,360)	
Total		(24,447,138)	(24,447,138)
<b>Net position of governmental activities</b>		\$	35,721,263

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, 2013

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,688,819	\$ -	\$ 707,280	\$ 5,396,099
Income taxes. . . . .	-	-	1,195,414	1,195,414
Tuition. . . . .	162,962	-	-	162,962
Transportation fees. . . . .	10,071	-	-	10,071
Earnings on investments . . . . .	8,439	59,625	1,170	69,234
Charges for services . . . . .	-	-	330,513	330,513
Extracurricular. . . . .	32,931	-	211,178	244,109
Classroom materials and fees . . . . .	28,055	-	-	28,055
Rental income . . . . .	8,300	-	-	8,300
Contributions and donations . . . . .	562	-	14,241	14,803
Contract services. . . . .	1,840	-	-	1,840
Other local revenues . . . . .	151,563	3,301	37,108	191,972
Intergovernmental - intermediate . . . . .	472	-	17,985	18,457
Intergovernmental - state . . . . .	10,061,895	13,456,494	343,772	23,862,161
Intergovernmental - federal . . . . .	76,971	-	1,799,453	1,876,424
Total revenues . . . . .	<u>15,232,880</u>	<u>13,519,420</u>	<u>4,658,114</u>	<u>33,410,414</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	6,861,386	-	202,306	7,063,692
Special . . . . .	724,014	-	745,938	1,469,952
Vocational . . . . .	250,743	-	-	250,743
Other . . . . .	1,900,941	-	152,083	2,053,024
Support services:				
Pupil . . . . .	688,325	-	443	688,768
Instructional staff . . . . .	451,137	-	3,507	454,644
Board of education . . . . .	505,828	-	-	505,828
Administration . . . . .	1,732,357	-	96,458	1,828,815
Fiscal . . . . .	349,943	-	39,872	389,815
Business. . . . .	38,080	-	-	38,080
Operations and maintenance . . . . .	1,254,842	-	2,630	1,257,472
Pupil transportation . . . . .	744,738	-	12,515	757,253
Central . . . . .	4,459	-	-	4,459
Operation of non-instructional services:				
Other non-instructional services. . . . .	-	-	207,150	207,150
Food service operations. . . . .	-	-	953,182	953,182
Extracurricular activities . . . . .	350,200	-	229,197	579,397
Facilities acquisition and construction. . . . .	-	3,444,538	1,100,603	4,545,141
Capital outlay . . . . .	144,987	-	-	144,987
Debt service:				
Principal retirement. . . . .	79,430	-	250,731	330,161
Interest and fiscal charges . . . . .	11,664	-	1,034,540	1,046,204
Total expenditures . . . . .	<u>16,093,074</u>	<u>3,444,538</u>	<u>5,031,155</u>	<u>24,568,767</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(860,194)</u>	<u>10,074,882</u>	<u>(373,041)</u>	<u>8,841,647</u>
<b>Other financing sources (uses):</b>				
Sale of assets. . . . .	1,000	-	-	1,000
Loan proceeds. . . . .	-	-	300,000	300,000
Transfers in. . . . .	-	-	100,248	100,248
Transfers out . . . . .	(100,248)	-	-	(100,248)
Capital lease transaction . . . . .	144,987	-	-	144,987
Total other financing sources (uses) . . . . .	<u>45,739</u>	<u>-</u>	<u>400,248</u>	<u>445,987</u>
Net change in fund balances . . . . .	(814,455)	10,074,882	27,207	9,287,634
<b>Fund balances at beginning of year. . . . .</b>	<u>285,039</u>	<u>18,590,323</u>	<u>3,228,789</u>	<u>22,104,151</u>
<b>Fund balances (deficit) at end of year. . . . .</b>	<u>\$ (529,416)</u>	<u>\$ 28,665,205</u>	<u>\$ 3,255,996</u>	<u>\$ 31,391,785</u>

**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, 2013

<b>Net change in fund balances - total governmental funds</b>	\$	9,287,634
<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.		
Capital asset additions	\$ 4,785,770	
Current year depreciation	(490,480)	
Total		4,295,290
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(102,127)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	53,711	
Income taxes	93,671	
Earnings on investments	6,703	
Intergovernmental	(13,210,848)	
Total		(13,056,763)
Repayment of bonds, loans and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	190,000	
Loans	72,835	
Capital leases	67,326	
Total		330,161
Issuances of loans and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
Loans	(300,000)	
Capital leases	(144,987)	
Total		(444,987)
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 additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,150	
Accreted interest on capital appreciation bonds	(82,709)	
Amortization of bond premiums	50,142	
Amortization of deferred charges	(13,882)	
Total		(45,299)
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.		
		91,603
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>355,512</b>

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, 2013

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,412,736	\$ 4,677,876	\$ 4,676,611	\$ (1,265)
Tuition . . . . .	153,945	163,195	162,962	(233)
Transportation fees . . . . .	9,528	10,100	10,071	(29)
Earnings on investments . . . . .	7,924	8,400	8,435	35
Classroom materials and fees . . . . .	6,226	6,600	6,629	29
Rental income . . . . .	7,735	8,200	8,300	100
Contract services . . . . .	1,698	1,800	1,840	40
Other local revenues . . . . .	143,149	151,750	151,842	92
Intergovernmental - intermediate . . . . .	472	500	472	(28)
Intergovernmental - state . . . . .	9,491,359	10,061,648	10,061,895	247
Intergovernmental - federal . . . . .	104,709	111,000	110,634	(366)
Total revenues . . . . .	<u>14,339,481</u>	<u>15,201,069</u>	<u>15,199,691</u>	<u>(1,378)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,954,841	6,934,733	6,930,918	3,815
Special . . . . .	654,598	733,621	733,390	231
Vocational . . . . .	187,450	220,675	220,191	484
Other . . . . .	2,318,341	1,931,614	1,931,161	453
Support services:				
Pupil . . . . .	647,756	697,001	696,819	182
Instructional staff . . . . .	587,160	561,174	560,739	435
Board of education . . . . .	489,725	505,051	505,016	35
Administration . . . . .	1,556,112	1,694,523	1,694,083	440
Fiscal . . . . .	268,335	361,485	361,379	106
Business . . . . .	258,474	140,404	140,365	39
Operations and maintenance . . . . .	1,495,743	1,391,768	1,391,264	504
Pupil transportation . . . . .	897,789	777,798	777,711	87
Central . . . . .	11,055	5,490	5,487	3
Extracurricular activities . . . . .	287,702	341,839	341,726	113
Debt service:				
Principal . . . . .	1,598	12,105	12,104	1
Interest and fiscal charges . . . . .	200	1,517	1,516	1
Total expenditures . . . . .	<u>15,616,879</u>	<u>16,310,798</u>	<u>16,303,869</u>	<u>6,929</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,277,398)</u>	<u>(1,109,729)</u>	<u>(1,104,178)</u>	<u>5,551</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	79,711	84,500	84,243	(257)
Transfers out . . . . .	(73,715)	(201,778)	(201,757)	21
Advances in . . . . .	421,994	447,350	447,350	-
Advances out . . . . .	(202,143)	(607,871)	(607,868)	3
Sale of assets . . . . .	943	1,000	1,000	-
Total other financing sources (uses) . . . . .	<u>226,790</u>	<u>(276,799)</u>	<u>(277,032)</u>	<u>(233)</u>
Net change in fund balance . . . . .	(1,050,608)	(1,386,528)	(1,381,210)	5,318
<b>Fund balance at beginning of year . . . . .</b>	<b>606,147</b>	<b>606,147</b>	<b>606,147</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>902,737</b>	<b>902,737</b>	<b>902,737</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 458,276</b>	<b>\$ 122,356</b>	<b>\$ 127,674</b>	<b>\$ 5,318</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2013

	<b>Agency</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 16,754
Receivables:	
Accounts . . . . .	25
Total assets. . . . .	\$ 16,779
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 295
Due to students. . . . .	16,484
Total liabilities . . . . .	\$ 16,779

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, 2013

**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 304<sup>th</sup> largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It is staffed by 72 non-certified employees and 124 certified full-time teaching personnel, who provide services to 1,781 students and other community members. The District currently operates 5 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2013

**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 2013, the District paid \$109,563 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.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative ("the Cooperative") is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

*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 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 13.C. for further information on this group rating plan.

Huron-Erie School Employees Insurance Association

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

*RELATED ORGANIZATION*

Willard Memorial Library

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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.

Classroom facilities - A capital projects fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. 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.

**C. Basis of Presentation and Measurement Focus**

Government-Wide Financial Statements - The statement of net position 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 deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 deferred outflows and current liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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 income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (Note 8). 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, income taxes, interest, tuition, grants, student fees and rentals.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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. Budgetary Process**

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 July 1, 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 or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts from the certificate of amended resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

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 budgetary 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

During fiscal year 2013, investments were limited to Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Farm Credit Bank (FFCB) securities and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$8,439, which includes \$5,557 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, purchased food and non-food supplies.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District'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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**I. 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, 2013, 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, 2013 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**J. Unamortized Bond Premium and Discount/Accounting Gain or Loss**

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 a deferred outflow or deferred inflow of resources.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

**K. 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.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food services.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**N. 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.

**O. 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.

**P. 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.

**Q. 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.

**R. 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 2013.

**S. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans between governmental funds are classified as "interfund receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental Activities
Net assets as previously reported	\$ 35,662,902
Removal of unamortized bond issuance costs	(297,151)
Net position at July 1, 2012	\$ 35,365,751

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

	Deficit
General fund	\$ 529,416
<u>Nonmajor funds</u>	
Race to the top	11,324
IDEA Part-B	29,302
Title III	2,026
Title I	105,017
IDEA preschool	66
Improving teacher quality	8,242

The deficit fund balances resulted from adjustments for accrued liabilities.

**C. Noncompliance**

The District had noncompliance with Ohio Revised Code Section 5705.41(D) due to untimely certification of expenditures.

**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.

**WILLARD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash on Hand**

At fiscal year end, the District had \$3,575 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$9,203,618. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$9,037,947 of the District’s bank balance of \$9,287,947 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, 2013, the District had the following investments and maturities:

Investment type	Fair value	Investment Maturities		
		6 months or less	7 to 12 months	13 to 18 months
STAR Ohio	\$ 9,588,722	\$ 9,588,722	\$ -	\$ -
FNMA	5,702,819	4,196,406	-	1,506,413
FFCB	5,389,143	-	5,389,143	-
FHLMC	2,650,952	-	-	2,650,952
			-	-
Total	<u>\$ 23,331,636</u>	<u>\$13,785,128</u>	<u>\$ 5,389,143</u>	<u>\$ 4,157,365</u>

**WILLARD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The weighted average maturity of investments is .39 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in STAR Ohio obtained an AAAM money market rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

*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 investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 9,588,722	41.10
FNMA	5,702,819	24.44
FFCB	5,389,143	23.10
FHLMC	<u>2,650,952</u>	<u>11.36</u>
Total	<u>\$ 23,331,636</u>	<u>100.00</u>

**WILLARD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2013:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 9,203,618
Investments	23,331,636
Cash on hand	<u>3,575</u>
Total	<u>\$ 32,538,829</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 32,522,075
Agency funds	<u>16,754</u>
Total	<u>\$ 32,538,829</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 100,248</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 balances at June 30, 2013 as reported on the fund financial statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 161,119</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**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 and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$755,883 in the general fund and \$104,984 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$658,681 in the general fund, \$98,053 in the debt service fund (a nonmajor governmental fund) and \$21,401 in the permanent improvement 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 delinquent tangible personal property taxes which are measurable as of June 30, 2013 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 deferred inflows.

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 reported as a deferred inflow.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 191,447,070	96.90	\$ 187,875,000	96.60
Public utility personal	<u>6,120,500</u>	<u>3.10</u>	<u>6,610,830</u>	<u>3.40</u>
Total	<u>\$ 197,567,570</u>	<u>100.00</u>	<u>\$ 194,485,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$46.30		\$46.40	
Permanent improvement	1.00		-	
Debt service	0.90		3.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest 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 position follows:

**Governmental activities:**

Property taxes	\$ 6,367,355
Income taxes	503,530
Accounts	25,649
Accrued interest	130,140
Intergovernmental	<u>18,994,409</u>
Total	<u>\$ 26,021,083</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio School Facilities Commission intergovernmental receivable of \$18,562,486, which will be collected over the duration of the construction project.

**NOTE 8 - INCOME TAX**

The District levies a voted tax of .75 percent on income tax of residents residing within the District. The tax was effective on January 1, 2012 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the debt service fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/13</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,448	\$ -	\$ -	\$ 174,448
Construction in progress	<u>1,096,977</u>	<u>4,524,483</u>	<u>-</u>	<u>5,621,460</u>
Total capital assets, not being depreciated	<u>1,271,425</u>	<u>4,524,483</u>	<u>-</u>	<u>5,795,908</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	711,362	-	-	711,362
Buildings and improvements	11,887,040	6,000	(8,948)	11,884,092
Furniture and equipment	2,319,653	178,487	(347,038)	2,151,102
Vehicles	<u>1,175,119</u>	<u>76,800</u>	<u>-</u>	<u>1,251,919</u>
Total capital assets, being depreciated	<u>16,093,174</u>	<u>261,287</u>	<u>(355,986)</u>	<u>15,998,475</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(270,050)	(28,747)	-	(298,797)
Buildings and improvements	(8,782,143)	(277,460)	6,480	(9,053,123)
Furniture and equipment	(1,307,229)	(93,580)	247,379	(1,153,430)
Vehicles	<u>(717,237)</u>	<u>(90,693)</u>	<u>-</u>	<u>(807,930)</u>
Total accumulated depreciation	<u>(11,076,659)</u>	<u>(490,480)</u>	<u>253,859</u>	<u>(11,313,280)</u>
Governmental activities capital assets, net	<u>\$ 6,287,940</u>	<u>\$ 4,295,290</u>	<u>\$ (102,127)</u>	<u>\$ 10,481,103</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 254,574
Special	8,992
Vocational	3,743

Support services:

Pupil	6,801
Instructional staff	30,383
Board of education	1,000
Administration	50,272
Operations and maintenance	22,280
Pupil transportation	88,188
Operation of non-instructional services	2,963
Extracurricular activities	8,776
Food service operations	<u>12,508</u>
Total depreciation expense	<u>\$ 490,480</u>

**WILLARD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In the current year and in previous years the District entered into capital lease agreements for the acquisition of copiers. 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 \$275,073, 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, 2013 was \$56,816, leaving a current book value of \$218,257. A corresponding liability was recorded in the statement of net position. Principal payments in the 2013 fiscal year totaled \$67,326. 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 position.

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, 2013:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 63,263
2015	63,264
2016	47,843
2017	32,424
2018	32,424
2019	<u>2,702</u>
Total minimum lease payment	241,920
Less: amount representing interest	<u>(30,496)</u>
Present value of minimum lease payments	<u>\$ 211,424</u>

**WILLARD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 07/01/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/13</u>	<u>Amount Due in One Year</u>
<u>G.O. Bonds Payable</u>								
School improvement refunding Series 2011 A	2004	2020	Variable	\$ 1,820,000	\$ -	\$ (180,000)	\$ 1,640,000	\$ 195,000
Current interest				10,415,000	-	(5,000)	10,410,000	-
Capital appreciation				83,813	-	-	83,813	28,041
Accreted interest				19,180	53,993	-	73,173	24,459
Series 2011 B	2012	2044	Variable					
Current interest				10,435,000	-	(5,000)	10,430,000	355,000
Capital appreciation				63,384	-	-	63,384	-
Accreted interest				10,966	28,716	-	39,682	-
<b>Total G.O. bonds</b>				<u>22,847,343</u>	<u>82,709</u>	<u>(190,000)</u>	<u>22,740,052</u>	<u>602,500</u>
<u>Loans Payable</u>								
Energy conservation	2001	2016	5.85%	176,448	-	(48,916)	127,532	51,855
Capital improvement	2011	2015	4.00%	74,747	-	(23,919)	50,828	24,903
Capital improvement	2013	2023	4.00%	-	300,000	-	300,000	25,004
<b>Total loans payable</b>				<u>251,195</u>	<u>300,000</u>	<u>(72,835)</u>	<u>478,360</u>	<u>101,762</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				133,763	144,987	(67,326)	211,424	50,801
Compensated absences				1,110,415	65,459	(94,322)	1,081,552	129,709
<b>Total other long-term obligations</b>				<u>1,244,178</u>	<u>210,446</u>	<u>(161,648)</u>	<u>1,292,976</u>	<u>180,510</u>
<b>Total governmental activities</b>				<u>\$ 24,342,716</u>	<u>\$ 593,155</u>	<u>\$ (424,483)</u>	24,511,388	<u>\$ 884,772</u>
Add: unamortized premium on bonds							1,021,864	
<b>Total on statement of net position</b>							<u>\$ 25,533,252</u>	

*School Facilities Construction and Improvement Bonds - Series 2011A and 2011B:* On July 6, 2011, the District issued Series 2011A current interest bonds, par value \$10,415,000, Series 2011A capital appreciation bonds, par value \$83,813, Series 2011B current interest bonds, par value \$10,435,000, and Series 2011B capital appreciation bonds, par value \$63,384, to finance building construction and improvements. The interest rates on the current interest bonds range from 2.0% to 5.0%. The capital appreciation bonds mature between January 15, 2014 and January 15, 2021 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,840,000. Total accreted interest of \$112,855 has been included in the statement of net position at June 30, 2013. \$18,872,518 of the proceeds of these bonds, including premiums, were unspent at June 30, 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond will be recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issues is January 15, 2044.

A portion of the current interest term bonds are subject to mandatory sinking fund deposits. The District is required to maintain a sinking fund account and deposit monies as necessary.

The following is a schedule of future sinking fund deposits required to be made into the District's sinking fund account on January 15<sup>th</sup> in the year noted below:

<u>Fiscal Year</u>	<u>Sinking Fund Required Deposit</u>
2026	\$ 740,000
2028	810,000
2029	585,000
2030	920,000
2032	1,055,000
2033	1,115,000
2034	1,175,000
2036	515,000
2037	545,000
2038	630,000
2039	665,000
2040	700,000
2042	815,000
2043	<u>860,000</u>
Total	<u>\$11,130,000</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 (a nonmajor governmental 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 improvement loan is being retired from the permanent improvement fund (a nonmajor governmental fund) and the general fund. The permanent improvement fund was funded by a permanent improvement levy, which was not renewed during the fiscal year. Therefore, the District began retiring the capital improvement loan from the general fund. The capital lease obligation is being paid from the general fund (See Note 10).

**WILLARD CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	Current Interest			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 550,000	\$ 1,018,107	\$ 1,568,107	\$ 28,041	\$ 51,959	\$ 80,000
2015	580,000	1,000,007	1,580,007	18,385	61,615	80,000
2016	625,000	980,544	1,605,544	12,054	67,946	80,000
2017	645,000	959,363	1,604,363	9,385	85,615	95,000
2018	670,000	935,169	1,605,169	6,153	88,847	95,000
2019 - 2023	1,960,000	4,406,937	6,366,937	73,179	1,336,821	1,410,000
2024 - 2028	3,625,000	3,876,112	7,501,112	-	-	-
2029 - 2033	4,920,000	2,967,550	7,887,550	-	-	-
2034 - 2038	4,125,000	1,723,500	5,848,500	-	-	-
2039 - 2043	3,810,000	839,250	4,649,250	-	-	-
2044	970,000	48,500	1,018,500	-	-	-
Total	<u>\$ 22,480,000</u>	<u>\$ 18,755,039</u>	<u>\$ 41,235,039</u>	<u>\$ 147,197</u>	<u>\$ 1,692,803</u>	<u>\$ 1,840,000</u>

Fiscal Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2014	\$ 101,762	\$ 19,753	\$ 121,515
2015	106,918	14,596	121,514
2016	47,788	9,878	57,666
2017	28,186	8,363	36,549
2018	29,334	7,214	36,548
2019 - 2023	164,372	17,141	181,513
Total	<u>\$ 478,360</u>	<u>\$ 76,945</u>	<u>\$ 555,305</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 used 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, 2013, are a voted debt margin of \$7,300,147 (including available funds of \$2,281,063), an unvoted debt margin of \$194,486 and an unvoted energy conservation debt margin of \$1,622,840.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 12 - 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 - Kanawha Life.

**NOTE 13 - 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 2013, 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	\$48,775,286
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
School Band and Choir Uniforms		50,000
General Liability	N/A	1,000,000/2,000,000
Employers Stop Gap Liability	N/A	1,000,000/2,000,000
School Professional Errors and Omissions Liability	10,000	1,000,000/1,000,000 aggregate
Sexual Misconduct Liability	N/A	1,000,000/1,000,000
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
Equipment Breakdown		included
Hazardous Substances		25,000
CFC Refrigerants		100,000
Public Employee Dishonesty	1,000	10,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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 2012.

**B. Employee Health Benefits**

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

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

**C. Workers' Compensation**

For fiscal year 2013, the District participated in the Ohio School Boards Association Workers' Compensation Group 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**NOTE 14 - 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](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 14 - PENSION PLANS - (Continued)**

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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$234,640, \$261,993 and \$244,064, respectively; 79.21 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 14 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2013, 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, 2013, 2012 and 2011 were \$1,054,146, \$1,118,573 and \$1,096,264, respectively; 82.18 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$11,162 made by the District and \$7,973 made by the plan members.

**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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 15 - 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 Section 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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](http://www.ohsers.org), under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$35,272, \$44,731 and \$74,229, respectively; 79.21 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$13,254, \$15,472 and \$15,706, respectively; 79.21 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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](http://www.strsoh.org), under "Publications" 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 2013, 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, 2013, 2012 and 2011 were \$81,088, \$86,044 and \$84,328, respectively; 82.18 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the fiscal 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	\$ (1,381,210)
Net adjustment for revenue accruals	(21,911)
Net adjustment for expenditure accruals	(206,276)
Net adjustment for other sources/uses	322,771
Funds budgeted elsewhere	27,793
Adjustment for encumbrances	444,378
GAAP basis	\$ (814,455)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2012, the District issued \$20,850,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$20,733,543 at June 30, 2013.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	293,767
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(89,689)
Excess qualified expenditures from prior years	-
Current year offsets	(87,621)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(116,457)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. Committed and assigned classifications of fund balance cannot be reported in the general fund if the result is an unassigned deficit. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 405,397
Classroom facilities	4,256,291
Other governmental	<u>319,156</u>
 Total	 <u>\$ 4,980,844</u>

**NOTE 20 - CONTRACTUAL COMMITMENTS**

On June 30, 2013, the District had the following contractual commitments outstanding related to the building construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2013</u>	<u>Remaining Contract Amount</u>
Juice Technologies	\$ 342,503	\$ 154,125	\$ 188,378
Stan and Associates	117,195	29,674	87,521
Lawhon and Associates	49,975	5,845	44,130
MKC	2,767,035	2,102,947	664,088
Total Environmental Services	84,165	-	84,165
KF Construction	191,800	84,874	106,926
PSI	179,891	12,291	167,600
Vaughn	4,798,100	-	4,798,100
Adena Corporation	22,864,500	1,060,238	21,804,262
Vulcan	389,594	-	389,594
Guenther	5,519,900	-	5,519,900
Mr. Excavator	<u>877,000</u>	<u>794,983</u>	<u>82,017</u>
 Total	 <u>\$ 38,181,658</u>	 <u>\$ 4,244,977</u>	 <u>\$ 33,936,681</u>

## **SUPPLEMENTARY DATA**

**WILLARD CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Child Nutrition Cluster:</b>				
(C) (D) School Breakfast Program	10.553	2013	\$ 91,699	\$ 91,699
(C) (D) National School Lunch Program	10.555	2013	458,167	458,167
(D) (E) National School Lunch Program - Food Donation	10.555	2013	52,384	52,384
<b>Total National School Lunch Program</b>			<u>510,551</u>	<u>510,551</u>
(C) (D) Special Milk Program for Children	10.556	2013	1,300	1,300
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>603,550</u>	<u>603,550</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(H) Title I Grants to Local Educational Agencies	84.010	2012	49,679	72,079
(H) Title I Grants to Local Educational Agencies	84.010	2013	500,197	562,414
<b>Total Title I Grants to Local Educational Agencies</b>			<u>549,876</u>	<u>634,493</u>
(G) Migrant Education_State Grant Program	84.011	2012	48,192	50,654
(G) (H) Migrant Education_State Grant Program	84.011	2013	149,389	88,011
<b>Total Migrant Education_State Grant Program</b>			<u>197,581</u>	<u>138,665</u>
<b>Special Education Grant Cluster:</b>				
(F) Special Education_Grants to States	84.027	2013	265,823	244,763
(F) Special Education_Preschool Grants	84.173	2013	15,576	15,576
<b>Total Special Education Grant Cluster</b>			<u>281,399</u>	<u>260,339</u>
(G) Rural Education	84.358	2012	(34)	470
(G) Rural Education	84.358	2013	21,573	16,187
<b>Total Rural Education</b>			<u>21,539</u>	<u>16,657</u>
English Language Acquisition Grants	84.365	2013	19,602	19,155
Improving Teacher Quality State Grants	84.367	2012	1,653	5,318
Improving Teacher Quality State Grants	84.367	2013	95,956	100,243
<b>Total Improving Teacher Quality State Grants</b>			<u>97,609</u>	<u>105,561</u>
(G) ARRA - Race to the Top, Recovery Act	84.395A	2012	(9,537)	-
(G) ARRA - Race to the Top, Recovery Act	84.395A	2013	56,681	53,139
<b>Total ARRA - Race to the Top, Recovery Act</b>			<u>47,144</u>	<u>53,139</u>
<b>Total U.S. Department of Education</b>			<u>1,214,750</u>	<u>1,228,009</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,818,300</u>	<u>\$ 1,831,559</u>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

- (A) OAKS did not assign pass-through numbers for fiscal year 2013.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Special Education Grant Cluster" when determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2013, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Migrant Education_State Grant Program	84.011	2012	\$ 251	
Migrant Education_State Grant Program	84.011	2013		\$ 251
Rural Education	84.358	2012	34	
Rural Education	84.358	2013		34
ARRA - Race to the Top, Recovery Act	84.395A	2012	9,537	
ARRA - Race to the Top, Recovery Act	84.395A	2013		9,537
Totals			<u>\$ 9,822</u>	<u>\$ 9,822</u>

- (H) During fiscal year 2013 the district made an allowable transfer of \$50,000 from the Title I Grants to Local Educational Agencies (CFDA 84.010) to the Migrant Education\_State Grant Program (CFDA 84.011). This transfer was required by ODE as a result of ODE's desk review of the District's Migrant program. The amount reported for the Title I program on the Schedule excludes the amount transferred to the Migrant program. The amount transferred to the Migrant program is included as Migrant disbursements when disbursed.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Willard City School District  
Huron County  
110 S. Myrtle Avenue  
Willard, Ohio 44890

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Willard City School District's basic financial statements and have issued our report thereon dated December 12, 2013.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Willard City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Willard City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2013-WCSD-001.

Board of Education  
Willard City School District

We also noted certain matters not requiring inclusion in this report, that we reported to the Willard City School District's management in a separate report dated December 12, 2013.

***Entity's Response to Findings***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 12, 2013



## **Julian & Grube, Inc.**

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### **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

Willard City School District  
Huron County  
110 S. Myrtle Avenue  
Willard, Ohio 44890

To the Board of Education:

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Willard City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Willard City School District's major federal programs for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs identifies the Willard City School District's major federal programs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to opine on the Willard City School District's compliance for each of the Willard City School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Willard City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in finding 2013-WCSD-002 in the accompanying schedule of findings and questioned costs, the Willard City School District did not comply with requirements regarding allowable costs/cost principles applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the Willard City School District to comply with requirements applicable to this program.

Board of Education  
Willard City School District

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the Willard City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I Grants to Local Educational Agencies* major federal program for the fiscal year ended June 30, 2013.

***Unmodified Opinion on Its Other Major Federal Program***

In our opinion, the Willard City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2013.

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

***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-WCSD-002 to be a material weakness.

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

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



Julian & Grube, Inc.  
December 12, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Qualified - Title I Grants to Local Educational Agencies; Unmodified - Child Nutrition Cluster
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster: School Breakfast Program (CFDA #10.553), National School Lunch Program (CFDA #10.555) and Special Milk Program for Children (CFDA #10.556); Title I Grants to Local Educational Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2013-WCSD-001

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The District had 29.17% of examined expenditures that were not certified in a timely manner.

Without timely certification, the District may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District may also use “Then & Now” certification to approve a purchase order, when applicable.

*Client Response:* This situation occurred primarily due to the complexity of the Ohio School Facilities project. The District will attempt to timely certify all expenditures in the future.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>	
<b>Finding Number</b>	2013-WCSD-002
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies, CFDA # 84.010
<b>Federal Award Number/Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Noncompliance/Material Weakness/Questioned Cost - Allowable Costs/Cost Principles

**OMB Circular A-87** lists certain unallowable direct costs:

- a. Separation leave costs (OMB Circular A-87, Attachment B, paragraph 8.d.(3)).
- b. Severance costs (OMB Circular A-87, Attachment B, paragraph 8.g.(3)).
- c. Post-retirement health benefit (PRHB) costs (OMB Circular A-87, Attachment B, paragraph 8.f).

The District charged severance costs to the Title I Grants to Local Educational Agencies grant as a direct cost in the total amount of \$48,312 for three employees. Per OMB Circular A-87, severance payments associated with normal turnover are allowable, but shall be allocated to all activities of the governmental unit as an indirect cost. Furthermore, in order to allocate costs indirectly, the District must have a plan on file with the Ohio Department of Education (ODE) and an approved indirect cost recovery rate. The District did not submit a plan to ODE for approval and thus charged the costs directly to the grant. Therefore, we are questioning total costs of \$48,312 in relation to severance costs charged as direct costs.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)**

By not complying with federal requirements, the District is at risk of additional oversight by the grantor agency, as well as potential reductions in grant funding and/or repayment of misspent funds.

We recommend the District review OMB Circular A-87 in relation to severance costs. We also recommend the District consult with ODE to establish an indirect cost recovery rate for similar expenditures if they are anticipated in the future.

*Client Response and Corrective Action Plan:* Upon finalization of the audit, the District will be in communication with ODE for a resolution to the \$48,312 questioned cost. The financial statements or the Schedule of Revenues and Expenditures of Federal Awards has not been adjusted for this questioned cost.

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

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u></b>
2012-WCSD-001	<u>Material Weakness - Financial Statement Presentation</u> - The District had an intergovernmental receivable that was understated by \$2,670,423 that related to the District's Ohio School Facilities Commission Project.	Yes	N/A
2012-WCSD-002	Ohio Revised Code Section 5705.10 addresses interfund advances and the restriction on the purpose for which funds may be used. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established. The District advanced monies to the general fund from other funds whose purposes were other than general fund purposes.	No	Repeated as Management Letter comment
2012-WCSD-003	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The District had 33.33% of examined expenditures that were not certified in a timely manner.	No	Repeated as finding 2013-WCSD-001
2010-003	<u>Finding for Recovery</u> Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes.	No	The investigation is still in progress.



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**Independent Accountants' Report on Applying Agreed-Upon Procedure**

Willard City School District  
Huron County  
110 S. Myrtle Avenue  
Willard, Ohio 44890

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 5, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
December 12, 2013

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# Dave Yost • Auditor of State

**WILLARD CITY SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 27, 2014**