



**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Willard City School District
Huron County
955 South Main Street
Willard, Ohio 44890-9598

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Willard City School District, Huron County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Willard City School District, Huron County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 16, 1999

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,423,313	\$334,692	\$1,099,504	\$211,688
Receivables:				
Taxes	4,690,704		623,539	125,658
Accounts	1,389	1,894		
Accrued Interest	19,008			
Interfund Receivable	21,000			
Materials and Supplies Inventory				
Prepaid Items	21,050			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	73,709			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources				
Total Assets and Other Debits	<u>\$7,250,173</u>	<u>\$336,586</u>	<u>\$1,723,043</u>	<u>\$337,346</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$97,353	\$17,546		\$33,817
Accrued Wages and Benefits	1,086,368	56,786		
Compensated Absences Payable	93,005			
Interfund Payable				
Intergovernmental Payable	91,633			
Deferred Revenue	4,312,110		\$560,804	114,753
Due to Students				
Energy Conservation Loan Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>5,680,469</u>	<u>74,332</u>	<u>560,804</u>	<u>148,570</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	594,525	25,009		42,290
Reserved for Prepaid Items	21,050			
Reserved for Debt Service Principal			1,099,504	
Reserved for Property Taxes	378,594		62,735	10,905
Reserved for Budget Stabilization	73,709			
Reserved for Trust				
Unreserved:				
Unreserved, Undesignated	501,826	237,245		135,581
Total Fund Equity and Other Credits	<u>1,569,704</u>	<u>262,254</u>	<u>1,162,239</u>	<u>188,776</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,250,173</u>	<u>\$336,586</u>	<u>\$1,723,043</u>	<u>\$337,346</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Asset	General Long-Term Debt	
\$15,356	\$83,146	\$16,544			\$4,184,243
					5,439,901
641	260				4,184
					19,008
31,266					21,000
					31,266
					21,050
					73,709
141,032			\$14,848,850		14,989,882
(73,631)					(73,631)
				\$1,162,239	1,162,239
				4,662,455	4,662,455
\$114,664	\$83,406	\$16,544	\$14,848,850	\$5,824,694	\$30,535,306
\$713					\$149,429
44,326					1,187,480
11,933				\$782,795	887,733
21,000					21,000
32,374				77,177	201,184
17,349					5,005,016
		\$10,385			10,385
				17,050	17,050
				62,672	62,672
				4,885,000	4,885,000
127,695		10,385		5,824,694	12,426,949
			\$14,848,850		14,848,850
129,951					129,951
(142,982)	\$83,406				(59,576)
					661,824
					21,050
					1,099,504
					452,234
					73,709
		540			540
		5,619			880,271
(13,031)	83,406	6,159	14,848,850		18,108,357
\$114,664	\$83,406	\$16,544	\$14,848,850	\$5,824,694	\$30,535,306

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$6,394,030	\$939,117
Interest	236,586	
Tuition and Fees	21,636	
Rent	4,132	
Extracurricular Activities		202,936
Gifts and Donations		42,032
Property and Other Local Taxes	4,707,326	
Miscellaneous	36,531	2,382
Total Revenues	11,400,241	1,186,467
Expenditures:		
Instruction:		
Regular	5,480,293	76,036
Special	644,685	371,157
Vocational	219,931	
Other	178,179	
Support Services:		
Pupils	518,352	25,187
Instructional Staff	653,427	208,886
Board of Education	154,516	
Administration	1,135,600	67,844
Fiscal	262,754	500
Business	46,473	
Operation and Maintenance of Plant	997,764	1,011
Pupil Transportation	502,052	2,247
Central	3,224	
Non-Instructional Services		66,176
Extracurricular Activities	266,178	187,482
Capital Outlay		
Debt Service		
Principal		
Interest		
Total Expenditures	11,063,428	1,006,526
Excess of Revenues Over (Under) Expenditures	336,813	179,941
Other Financing Sources and Uses		
Operating Transfers In	14,069	3,866
Refund of Prior Year Expenditures	16,403	
Other Financing Sources	1,236	5,000
Operating Transfers Out	(3,836)	(30)
Refund of Prior Year Receipts		(7)
Total Other Financing Sources (Uses)	27,872	8,829
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	364,685	188,770
Fund Balance at Beginning of Year	1,205,019	73,484
Fund Balance at End of Year	\$1,569,704	\$262,254

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$52,778	\$256,212		\$7,642,137
			236,586
			21,636
			4,132
			202,936
			42,032
626,764	126,227		5,460,317
			38,913
679,542	382,439		13,648,689
	167,194		5,723,523
			1,015,842
			219,931
			178,179
			543,539
			862,313
			154,516
513	116		1,204,073
14,805	2,741		280,800
			46,473
			998,775
			504,299
			3,224
		\$1,612	67,788
			453,660
	429,346		429,346
329,100			329,100
349,723			349,723
694,141	599,397	1,612	13,365,104
(14,599)	(216,958)	(1,612)	283,585
37,516			55,451
			16,403
			6,236
	(51,585)		(55,451)
			(7)
37,516	(51,585)		22,632
22,917	(268,543)	(1,612)	306,217
1,139,322	457,319	6,992	2,882,136
\$1,162,239	\$188,776	\$5,380	\$3,188,353

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$5,000,000	\$6,394,030	\$1,394,030
Interest	116,500	233,486	116,986
Tuition and Fees	20,000	21,502	1,502
Rent	3,000	3,402	402
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes	4,927,217	4,663,947	(263,270)
Miscellaneous	40,000	36,531	(3,469)
Total Revenues	<u>10,106,717</u>	<u>11,352,898</u>	<u>1,246,181</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,823,907	5,535,320	288,587
Special	665,773	665,773	
Vocational	244,685	214,853	29,832
Other	198,440	198,440	
Support Services:			
Pupils	550,451	550,451	
Instructional Staff	1,165,859	1,054,558	111,301
Board of Education	196,845	154,207	42,638
Administration	1,141,603	1,098,788	42,815
Fiscal	272,949	266,298	6,651
Business	60,520	46,611	13,909
Operation and Maintenance of Plant	1,068,230	1,042,341	25,889
Pupil Transportation	585,413	582,138	3,275
Central	6,730	5,834	896
Non-Instructional Services			
Extracurricular activities	272,916	264,409	8,507
Capital Outlay			
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>12,254,321</u>	<u>11,680,021</u>	<u>574,300</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,147,604)</u>	<u>(327,123)</u>	<u>1,820,481</u>
Other Financing Sources and Uses			
Operating Transfers In		73,369	73,369
Refund of Prior Year Expenditures		16,403	16,403
Other Financing Sources	500	1,236	736
Operating Transfers Out	(3,836)	(3,836)	
Refund of Prior Year Receipts			
Advances Out	(21,000)	(21,000)	
Total Other Financing Sources (Uses)	<u>(24,336)</u>	<u>66,172</u>	<u>90,508</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,171,940)</u>	<u>(260,951)</u>	<u>1,910,989</u>
Fund Balance at Beginning of Year	1,555,102	1,555,102	
Prior Year Encumbrances Appropriated	510,992	510,992	
Fund Balance at End of Year	<u>(\$105,846)</u>	<u>\$1,805,143</u>	<u>\$1,910,989</u>

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$828,626	\$939,117	\$110,491	\$50,000	\$52,778	\$2,778
99,664	201,261	101,597			
18,000	42,032	24,032			
			613,815	616,589	2,774
2,100	2,382	282			
948,390	1,184,792	236,402	663,815	669,367	5,552
92,726	73,609	19,117			
582,812	400,704	182,108			
36,220	32,431	3,789			
264,536	217,836	46,700			
82,812	75,096	7,716	513	513	
500	500		39,457	14,805	24,652
3,054	3,054				
5,333	3,603	1,730			
172,026	87,031	84,995			
227,154	191,890	35,264			
			334,100	329,100	5,000
			404,230	349,723	54,507
1,467,173	1,085,754	381,419	778,300	694,141	84,159
(518,783)	99,038	617,821	(114,485)	(24,774)	89,711
	15,097	15,097	45,178	37,516	(7,662)
5,000	5,000				
(70,163)	(70,163)				
(7)	(7)				
(65,170)	(50,073)	15,097	45,178	37,516	(7,662)
(583,953)	48,965	632,918	(69,307)	12,742	82,049
212,802	212,802		1,040,212	1,040,212	
30,369	30,369				
(\$340,782)	\$292,136	\$632,918	\$970,905	\$1,052,954	\$82,049

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$247,149	\$256,212	\$9,063
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes	132,526	124,796	(7,730)
Miscellaneous			
Total Revenues	<u>379,675</u>	<u>381,008</u>	<u>1,333</u>
Expenditures:			
Current:			
Instruction:			
Regular	181,815	168,685	13,130
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration	116	116	
Fiscal	5,000	2,741	2,259
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	569,481	540,181	29,300
Debt Service:			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>756,412</u>	<u>711,723</u>	<u>44,689</u>
Excess of Revenues Over (Under) Expenditures	<u>(376,737)</u>	<u>(330,715)</u>	<u>46,022</u>
Other Financing Sources and Uses			
Operating Transfers In			
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfers Out	(51,982)	(51,982)	
Refund of Prior Year Receipts			
Advances Out			
Total Other Financing Sources (Uses)	<u>(51,982)</u>	<u>(51,982)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(428,719)	(382,697)	46,022
Fund Balance at Beginning of Year	126,863	126,863	
Prior Year Encumbrances Appropriated	<u>451,283</u>	<u>451,283</u>	
Fund Balance at End of Year	<u><u>\$149,427</u></u>	<u><u>\$195,449</u></u>	<u><u>\$46,022</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$6,125,775	\$7,642,137	\$1,516,362
			116,500	233,486	116,986
			20,000	21,502	1,502
			3,000	3,402	402
			99,664	201,261	101,597
			18,000	42,032	24,032
			5,673,558	5,405,332	(268,226)
			42,100	38,913	(3,187)
			12,098,597	13,588,065	1,489,468
			6,098,448	5,777,614	320,834
			1,248,585	1,066,477	182,108
			244,685	214,853	29,832
			198,440	198,440	
			586,671	582,882	3,789
			1,430,395	1,272,394	158,001
			196,845	154,207	42,638
			1,225,044	1,174,513	50,531
			317,906	284,344	33,562
			60,520	46,611	13,909
			1,071,284	1,045,395	25,889
			590,746	585,741	5,005
			6,730	5,834	896
			173,638	88,643	84,995
			500,070	456,299	43,771
			569,481	540,181	29,300
			334,100	329,100	5,000
			404,230	349,723	54,507
			15,257,818	14,173,251	1,084,567
			(3,159,221)	(585,186)	2,574,035
			45,178	125,982	80,804
			0	16,403	16,403
			5,500	6,236	736
			(125,981)	(125,981)	
			(7)	(7)	
			(21,000)	(21,000)	
			(96,310)	1,633	97,943
			(3,255,531)	(583,553)	2,671,978
			2,941,971	2,941,971	
			992,644	992,644	
			\$679,084	\$3,351,062	\$2,671,978
\$1,612	\$1,612				
1,612	1,612				
(1,612)	(1,612)				
(1,612)	(1,612)				
6,992	6,992				
\$5,380	\$5,380				

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Sales	\$427,585			\$427,585
Charges for Services		\$17,359		17,359
Refund of Prior Year Expense	69			69
Total Operating Revenues	427,654	17,359		445,013
Operating Expenses:				
Salaries	207,765			207,765
Fringe Benefits	159,320			159,320
Purchased Services	6,198	17,246		23,444
Materials and Supplies	421,714			421,714
Depreciation	5,754			5,754
Total Operating Expenses	800,751	17,246		817,997
Operating Income (Loss)	(373,097)	113		(372,984)
Non-Operating Revenues and Expenses:				
Federal Donated Commodities	55,779			55,779
Federal and State Subsidies	227,326			227,326
Other		80,000		80,000
Total Non-Operating Revenues and Expenses	283,105	80,000		363,105
Net Income (Loss)	(89,992)	80,113		(9,879)
Retained Earnings at Beginning of Year	(52,990)	3,293	779	(48,918)
Retained Earnings at End of Year	(142,982)	83,406	779	(58,797)
Contributed Capital at Beginning of Year	129,951			129,951
Contributed Capital at End of Year	129,951			129,951
Total Fund Equity at End of Year	(\$13,031)	\$83,406	\$779	\$71,154

The notes to the general-purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOW
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Increase/(Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$427,360			\$427,360
Cash Received from Charges for Services		\$17,099		17,099
Other Cash Receipts	69			69
Cash Payments to Suppliers for Goods and Service	(366,284)			(366,284)
Cash Payments for Contract Services	(6,276)	(17,246)		(23,522)
Cash Payments for Employee Services	(215,187)			(215,187)
Cash Payments for Employee Benefits	(117,987)			(117,987)
Net Cash Provided (Used) by Operating Activities	(278,305)	(147)		(278,452)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	227,326			227,326
Other Cash Receipts		80,000		80,000
Advances In	21,000			21,000
Net Cash Provided (Used) by Noncapital Financing Activities	248,326	80,000		328,326
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions				
Net Increase (Decrease) in Cash and Cash Equivalents	(29,979)	79,853		49,874
Cash and Cash Equivalents at Beginning of Year	45,335	3,293	\$779	49,407
Cash and Cash Equivalents at End of Year	\$15,356	\$83,146	\$779	\$99,281
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(\$373,097)	\$113		(\$372,984)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	5,754			5,754
Donated Commodities Used During the Year	55,779			55,779
(Increase) Decrease in Assets:				
Accounts Receivable	(224)	(260)		(484)
Material and Supplies Inventory	4,326			4,326
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	2,623			2,623
Intergovernmental Payable	28,876			28,876
Deferred Revenue	(3,463)			(3,463)
Accounts Payable	(1,291)			(1,291)
Accrued Wages and Benefits	2,412			2,412
Total Adjustments	94,792	(260)		94,532
Net Cash Provided (Used) by Operating Activities	(\$278,305)	(\$147)		(\$278,452)
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 1999:				
Cash and Cash Equivalents – Trust and Agency Funds				\$16,544
Less: Expendable Trust Funds				(10,385)
Less: Agency Funds				(5,380)
Cash and Cash Equivalents – Nonexpendable Trust Funds				\$779

The notes to the general-purpose financial statements are an integral part of this statement.

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1961 through the consolidation of existing land areas and school districts. The School 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 School District is the 224th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 86 non-certificated employees and 155 certificated full-time teaching personnel, who provide services to 2,257 students and other community members. The School District currently operates 6 instructional buildings and one garage.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Willard City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The following activities are included within the reporting entity:

Parochial Schools - Within the School 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 School District, as directed by the parochial schools. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District is associated with five organizations, which are defined as jointly governed organizations, insurance purchasing pools, and a related organization. These organizations include the North Central Ohio Computer Cooperative, the Pioneer Joint Vocational School District, the Ohio School Boards Association Worker's Compensation Group Rating Plan, the Huron-Erie School Employee Welfare Benefit Association Plan and Trust Agreement, and the Willard Memorial Library. These organizations are presented in Notes 16, 17, 18, and 19 to the general-purpose financial statements.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - Internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. 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 the Huron County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

3. 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

5. 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1998. 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 share price which is the price the investment could be sold for on June 30, 1999.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 10 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Teacher Development
Early Childhood Development
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Title I: Instructional Programs for Migrant Children
Education for Economic Security Act
Title VI-B

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants (Continued)

Special Revenue Funds (Continued)

Title I

Title VI

Drug-Free Schools

EHA Preschool Grants for the Handicapped

Capital Projects Funds

School Net

Technology Equity

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 54 percent of the School District's operating revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 5 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepaid items, debt service, property taxes, budget stabilization, and trust endowments.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal. Restricted assets in the general fund represent cash and cash equivalents set-aside for budget stabilization reserve.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY

At June 30, 1999, the Disadvantaged Pupil Impact Aid and Food Service funds had deficit fund balances of \$20,992 and \$25,880 respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At June 30, 1999, Special Revenue Funds and Capital Projects Funds had appropriations that exceeded estimated resources.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$260,951)	\$48,965	\$12,742	(\$382,697)	(\$1,612)
Adjustments for:					
Revenue Accruals	47,342	1,675	10,175	1,431	
Expenditure Accruals	(75,285)	36,672		49,536	
Other Sources/(Uses)	(38,299)	58,902		397	
Encumbrances	691,878	42,556		62,790	
GAAP Basis	\$364,685	\$188,770	\$22,917	(\$268,543)	(\$1,612)

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 or deposit accounts including passbook accounts.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or 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 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 the 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 two percent 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 division (1) or (2) of this section 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 Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse purchase 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Funds invested by fiscal agents are determined by trust agreements and bond indentures. Like the cash invested by the District Treasurer, eligible investments include U.S. government obligations, U.S. government agencies, and certificate of deposit.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

At fiscal year end, the School District had \$1,575 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits:

At fiscal year end, the carrying amount of the School District's deposits was \$3,012,220 and the bank balance was \$3,059,189. Of the bank balance, \$221,124 was covered by federal depository insurance and \$2,838,065 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments:

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Market Value
STAR Ohio	<u>\$1,244,157</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents, and investments on the combined financial statements is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,257,952	
Cash on Hand	(1,575)	
Investments	(1,244,157)	\$1,244,157
GASB Statement No. 3	\$3,012,220	\$1,244,157

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Huron County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$378,594 in the General Fund, \$62,735 in the Bond Retirement Debt Service Fund and \$10,905 in the Permanent Improvement Capital Projects Fund.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values of real and tangible personal property upon which property tax revenues were based are as follows:

	<u>1998 Second-Half Collections</u>		<u>1999 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$109,906,370	64%	\$113,036,410	65%
Public Utility	12,642,180	7%	12,447,610	7%
Tangible Personal Property	50,449,220	29%	48,190,130	28%
Total Assessed Value	<u>\$172,997,770</u>	<u>100%</u>	<u>\$173,674,150</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$45.75</u>		<u>\$45.75</u>	

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. 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 fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund	
Taxes Receivable	\$4,690,704
Accounts Receivable	1,389
Accrued Interest	19,008
Special Revenue	
Accounts Receivable	1,894
Debt Service Fund	
Taxes Receivable	623,539
Capital Project Funds	
Taxes Receivable	125,658
Enterprise Fund	
Accounts Receivable	641
Internal Service Fund	
Accounts Receivable	260
Total Receivables	<u>\$5,463,093</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 8 - INTERFUND TRANSACTIONS

A. A reconciliation of the District's interfund receivables/payables for 1999 is as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$21,000	
Enterprise Fund:		
Food Service		(21,000)

B. A reconciliation of the District's operating transfers for 1999 is as follows:

	<u>Transfers In</u>	<u>Transfer Out</u>
General Fund	\$14,069	(\$3,836)
Special Revenue Funds:		
Athletics	1,342	(30)
Migrant Education	2,524	
Debt Service Fund	37,516	
Capital Projects Funds:		
Permanent Improvement		(37,515)
Improvement		(14,070)
Totals	<u>\$55,451</u>	<u>(\$55,451)</u>

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$141,032
Less: Accumulated Depreciation	(73,631)
Net Fixed Assets	<u>\$67,401</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$436,698	\$91,438		\$528,136
Buildings and Improvements	10,111,440	395,431		10,506,871
Furniture and Equipment	2,686,988	357,440	\$4,079	3,040,349
Vehicles	726,824	63,670	17,000	773,494
Totals	<u>\$13,961,950</u>	<u>\$907,979</u>	<u>\$21,079</u>	<u>\$14,848,850</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998			\$73,709	\$73,709
Current Year Set-aside Requirement	\$142,718	\$142,718		285,436
Current Year Offsets				
Qualifying Disbursements	<u>(142,718)</u>	<u>(142,718)</u>		<u>(285,436)</u>
Set-aside Cash Balance as of June 30, 1999			<u>\$73,709</u>	<u>73,709</u>
Amount restricted for bus purchases				
Total Restricted Assets				<u><u>\$73,709</u></u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$1,000	\$21,338,000
Inland Marine Coverage	250	163,000
Musical Instruments	1,000	250,000
Automobile Liability	250/500	1,000,000
Uninsured Motorists	250/500	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Willard City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614)-222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Willard City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$228,148, \$206,628, and \$209,724, respectively; 58 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$98,965 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Willard City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS 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 STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)-227-4090.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999 were 9.3 percent of covered payroll for members and 14 percent for employers. 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. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$870,971, \$805,489, and \$798,288, respectively; 91 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$75,600 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1998, as certified to your district by SERS.

NOTE 14 - 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. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 62.5 days for all employees.

B. Life Insurance

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 07/01/98	Additions	Deductions	Balance at 06/30/99
High School Addition	\$500,000		\$50,000	\$450,000
Remodel High School and Elementary School	1,030,000		95,000	935,000
Library Improvement	340,000		105,000	235,000
Elementary School Renovation	3,310,000		45,000	3,265,000
EPA Asbestos Loan	71,028		8,356	62,672
Energy Conservation Loan	51,150		34,100	17,050
Long-Term Bonds and Notes Payable	5,302,178		337,456	4,964,722
Pension Obligation	90,203	77,177	90,203	77,177
Compensated Absences	694,430	88,365		782,795
Total Long-Term Obligations	11,388,989	165,542	765,115	10,789,416

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$10,745,674 with an unvoted debt margin of \$173,674 at June 30, 1999.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2000	\$325,406	\$327,300	\$652,706
2001	338,356	306,280	644,636
2002	218,356	284,527	502,883
2003	228,356	268,687	497,043
2004	238,356	252,238	490,594
2005-2009	1,275,892	997,920	2,273,812
2010-2014	835,000	627,256	1,462,256
2015-2019	1,220,000	280,913	1,500,913
2020	290,000	8,700	298,700
Total	\$4,969,722	\$3,353,821	\$8,323,543

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Willard City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$384,830	\$42,824	\$427,654
Depreciation Expense	5,754		5,754
Operating Income (Loss)	(362,789)	(10,308)	(373,097)
Donated Commodities	55,779		55,779
Grants	227,326		227,326
Net Income (Loss)	(79,684)	(10,308)	(89,992)
Net Working Capital	(72,281)	12,849	59,432
Total Assets	101,815	12,849	114,664
Total Liabilities	127,695		127,695
Total Equity	(25,880)	12,849	(13,031)

NOTE 17 - JOINT VENTURE WITHOUT EQUITY INTEREST

North Central Ohio Computer Cooperative - The North Central Ohio Computer Cooperative (NCOCC) is a governmental joint venture consisting of 21 school districts and 3 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in the net obligations or asset liquidation in a ratio proportionate to their last twelve months financial obligations. NCOCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Jerry Payne, who serves as the Treasurer, at PO Box 309, 27 Ryan Road, Shelby, Ohio 44875.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Pioneer Joint Vocational School District - The Pioneer Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pioneer Joint Vocational School District, Jerry A. Payne, who serves as Treasurer, at P. O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 19 - INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP'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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Huron-Erie School Employee Welfare Benefit Association Plan and Trust Agreement - The School District participates in the Huron-Erie School Employee Welfare Benefit Association Plan and Trust Agreement (the Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the thirteen school districts and county boards of education in the Plan.

NOTE 20 - 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 School District for operational subsidies. Although the School 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, Florence Shreve, Treasurer, at 3915 Center Street, New Haven, Ohio 44850.

NOTE 21 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 1999, are summarized by source as follows:

	<u>Food Service</u>
Contributed Capital, July 1, 1998	\$129,951
Current Contributions	
Contributed Capital, June 30, 1999	<u>\$129,951</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 22 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

NOTE 23 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal 1999.

The School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has several school buildings with power systems, which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and State of Ohio uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

Huron and Crawford Counties collect property taxes for distribution to the District. Each county is responsible for remediating the tax collection system. Each county is solely responsible for any cost associated with their tax collection system.

The School District currently is assessing the changes needed in the power systems. Systems may have to be remediated, and tested and validated.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 24 – STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$6,020,031 of school foundation support for all funds.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County is currently reviewing the new laws, and in a decision on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed through the Ohio Department of Education</i>		
<i>Child Nutrition Cluster:</i>		
Food Distribution	10.550	
National School Breakfast	10.553	05-PU-98 05-PU-99
Total National School Breakfast		
National School Lunch	10.555	03-PU-98 03-PU-99 04-PU-98 04-PU-99
Total National School Lunch		
Total Department of Agriculture - Child Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed through the Ohio Department of Education</i>		
<i>Special Education Cluster:</i>		
Special Education to States	84.027	6B-SF-99P 6B-SF-98P
Total Special Education to States		
Special Education Preschool	84.173	PG-S1 99P PG-S1 98P
Total Special Education Preschool		
Total Special Education Cluster		
Title I	84.010	C1-S1-98 C C1-S1-97 C1-S1-98 C1-S1-99
Total Title I		
Title I - Migrant Education Program	84.011	MG-S1-97 MG-S1-98 MG-S1-99 MG-S1-98 C
Total Title I Migrant Education Program		
Vocational Education - Basic Grant	84.048	2B-00-98
Vocational Education - Consumer and Homemaker	84.049	3B-00-98
Safe and Drug Free	84.186	DR-S1 99 DR-S1 98
Total Safe and Drug Free		
Goals 2000	84.276	G2-S2 98 G2-S2 98 C G2-S2 99
Total Goals 2000		
Innovative Educational Program Strategy	84.298	C2-S1-99 C2-S1-98 C2-S1-97
Total Innovative Educational Program		
Eisenhower Professional Development	84.281	MS-S1-99 MS-S1-98C MS-S1-97
Total Eisenhower Professional Development		
Total Department of Education		
TOTAL FEDERAL ASSISTANCE		

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$52,316		\$55,779
\$4,049		\$4,049	
10,344		10,344	
14,393		14,393	
6,582		6,582	
34,861		34,861	
27,674		27,674	
134,968		134,968	
204,085		204,085	
218,478	52,316	218,478	55,779
96,718		75,052	
8,946		25,432	
105,664		100,484	
14,703		6,925	
		5,317	
14,703		12,242	
120,367		112,726	
70,942		70,942	
		154	
150,026		150,151	
222,508		185,527	
443,476		406,774	
		2,524	
53,556		57,313	
11,424		10,231	
16,692		16,692	
81,672		86,760	
351		351	
156		156	
8,292		3,328	
		9,580	
8,292		12,908	
		18,500	
		221	
10,000		1,020	
10,000		19,741	
9,859		7,556	
		96	
		1,252	
9,859		8,904	
11,472		821	
		535	
		9,661	
11,472		11,017	
685,645		659,337	
\$904,123	\$52,316	\$877,815	\$55,779

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - ASBESTOS ABATEMENT LOAN

The District received an Asbestos Abatement Loan (CFDA# 66.200) from the Environmental Protection Agency. As of June 30, 1999, the loan balance was \$66,850.

NOTE D - MATCHING REQUIREMENTS

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



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Willard City School District
Huron County
955 South Main Street
Willard, Ohio 44890-9598

To the Board of Education:

We have audited the financial statements of Willard City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 16, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Willard City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10539-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Willard City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Willard City School District in a separate letter dated December 16, 1999.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 16, 1999



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

Willard City School District
Huron County
955 South Main Street
Willard, Ohio 44890-9598

To the Board of Education:

Compliance

We have audited the compliance of Willard City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Willard City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Willard City School District's management. Our responsibility is to express an opinion on Willard City School District's compliance based on our audit.

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

In our opinion, Willard City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Willard City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Willard City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 16, 1999

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA #84.550 CFDA #84.553 CFDA #84.555)
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 1999-10539-001

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the budget commission. The funds below were found to have appropriations in excess of the amount certified as available by the budget commission for fiscal year 1999.

**FINDING NUMBER 1999-10539-001
(Continued)**

<u>Fund Type</u>	<u>Appropriations</u>	<u>Amended Certificate</u>	<u>Variance</u>
Special Revenue Funds:			
Fisher Titus Fund	\$4,759		(\$4,759)
Athletic Fund	227,184	\$221,693	(5,491)
Auxiliary Fund	162,061	160,990	(1,071)
MIS Fund	25,882	19,576	(6,306)
Prof. Development Fund	13,543	9,028	(4,515)
Inst. Material Fund	33,953		(33,953)
Migrant Fund	108,818	67,887	(40,931)
Eisenhower Fund	33,180	32,363	(817)
Title VI-B Fund	153,929	121,914	(32,015)
Title 1 Fund	566,753	432,688	(134,065)
Capital Projects Funds:			
Permanent Imp. Fund	243,682	217,924	(25,758)
Construction Fund	382,500		(382,500)
Enterprise Funds:			
Food Service Fund	653,018	631,090	(21,928)
Uniform School Fund	58,695	53,553	(5,142)

The following funds had actual receipts that were not sufficient to permit the District to obtain an amended certificate of estimated resources greater than or equal to the appropriations adopted: Fisher Titus Fund, Athletic Fund, Auxiliary Fund, Professional Development Fund, MIS Fund, Migrant Fund, Eisenhower Fund, Title VI-B Fund, Title 1 Fund, Permanent Improvement Fund, Construction Fund, Food Service Fund and Uniform School Supply Fund.

This situation could allow the District to overspend its funds if appropriations are not limited by the amended certificate. We recommend appropriation measures be compared to the latest amended certificate of estimated resources and appropriation modifications be made prior to submitting it to the County Auditor. In addition, the District should request a certificate from the County Auditor for each appropriation measure.

3. FINDINGS FOR FEDERAL AWARDS

None.



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WILLARD CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2000**