

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

CYNDI SHOUP, TREASURER



Dave Yost • Auditor of State

Board of Education
Willard City School District
955 South Main Street
Willard, Ohio 44890-0150

We have reviewed the *Independent Accountants' Report* of the Willard City School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 6, 2012

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Willard City School District
Huron County
955 South Main Street
Willard, Ohio 44890-0150

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Willard City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Willard City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during fiscal year ended June 30, 2011, the Willard City School District adopted the provisions of Governmental Accounting Standards Board State No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the Willard City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Julian & Grube, Inc.
November 11, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Willard City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$921,948 which represents a 21.29% increase from 2010.
- General revenues accounted for \$15,594,612 in revenue or 73.30% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,681,382 or 26.70% of total revenues of \$21,275,994.
- The District had \$20,354,046 in expenses related to governmental activities; only \$5,681,382 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,594,612 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$16,362,589 in revenues and other financing sources and \$16,435,892 in expenditures and other financing uses. During fiscal 2011, the general fund's fund balance decreased \$73,303 from a restated balance of \$1,161,053 to \$1,087,750.
- The District's other major governmental fund, the debt service fund, had \$228,478 in revenues and \$283,314 in expenditures. During fiscal 2011, the debt service fund's fund balance decreased \$54,836 from \$1,231,766 to \$1,176,930.

Using these Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-50 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 10,692,695	\$ 9,786,858
Capital assets, net	<u>5,164,426</u>	<u>5,205,158</u>
Total assets	<u>15,857,121</u>	<u>14,992,016</u>
<u>Liabilities</u>		
Current liabilities	6,941,882	6,861,799
Long-term liabilities	<u>3,662,865</u>	<u>3,799,791</u>
Total liabilities	<u>10,604,747</u>	<u>10,661,590</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,587,827	2,585,354
Restricted	2,046,857	1,697,909
Unrestricted	<u>617,690</u>	<u>47,163</u>
Total net assets	<u>\$ 5,252,374</u>	<u>\$ 4,330,426</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$5,252,374.

At year-end, capital assets represented 32.57% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$2,587,827. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

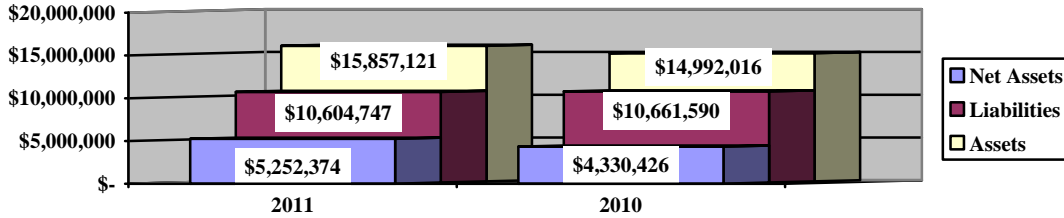
A portion of the District's net assets, \$2,046,857, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$617,690 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and 2010:

Governmental Activities



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Revenues		
Program revenues:		
Charges for services and sales	\$ 897,029	\$ 993,897
Operating grants and contributions	4,784,353	3,218,558
General revenues:		
Property taxes	5,492,231	5,099,545
Grants and entitlements	9,983,146	10,660,482
Investment earnings	15,309	26,543
Other	103,926	113,355
Total revenues	<u>21,275,994</u>	<u>20,112,380</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	7,789,657	8,198,670
Special	1,743,794	1,706,644
Vocational	212,971	206,687
Other	2,323,559	2,372,653
Support services:		
Pupil	804,397	794,816
Instructional staff	573,644	758,933
Board of education	438,862	521,318
Administration	1,881,880	1,824,514
Fiscal	404,498	372,482
Business	50,213	82,826
Operations and maintenance	1,321,134	1,549,429
Pupil transportation	899,333	966,821
Central	4,962	4,372
Operations of non-instructional services:		
Other non-instructional services	214,968	160,633
Food service operations	905,917	864,707
Extracurricular activities	630,680	687,071
Interest and fiscal charges	<u>153,577</u>	<u>158,934</u>
Total expenses	<u>20,354,046</u>	<u>21,231,510</u>
Change in net assets	921,948	(1,119,130)
Net assets at beginning of year	<u>4,330,426</u>	<u>5,449,556</u>
Net assets at end of year	<u>\$ 5,252,374</u>	<u>\$ 4,330,426</u>

Governmental Activities

Net assets of the District's governmental activities increased \$921,948. Total governmental expenses of \$20,354,046 were offset by program revenues of \$5,681,382 and general revenues of \$15,594,612. Program revenues supported 27.91% of the total governmental expenses.

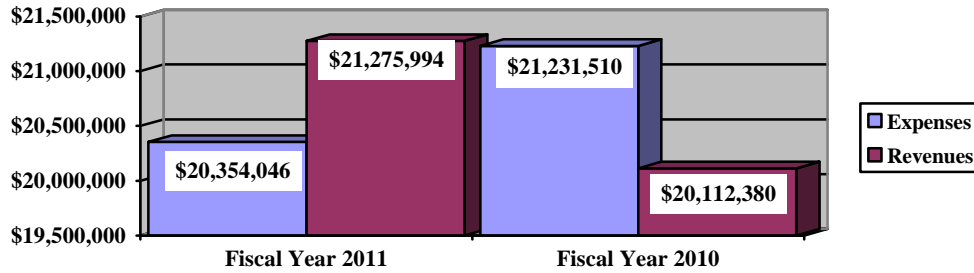
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 72.74% of total governmental revenue. Real estate property is reappraised every six years. The decrease in expenditures is primarily due to a decrease in instructional expenditures caused by decreases in salaries and fringe benefit expenditures through attrition.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 7,789,657	\$ 6,156,336	\$ 8,198,670	\$ 7,145,228
Special	1,743,794	(144,290)	1,706,644	674,149
Vocational	212,971	174,568	206,687	168,570
Other	2,323,559	1,824,027	2,372,653	1,989,046
Support services:				
Pupil	804,397	796,324	794,816	788,170
Instructional staff	573,644	557,355	758,933	673,159
Board of education	438,862	438,862	521,318	521,318
Administration	1,881,880	1,738,839	1,824,514	1,752,892
Fiscal	404,498	404,498	372,482	372,482
Business	50,213	50,213	82,826	82,826
Operations and maintenance	1,321,134	1,312,797	1,549,429	1,542,258
Pupil transportation	899,333	808,212	966,821	848,657
Central	4,962	4,962	4,372	4,372
Operations of non-instructional services				
Other non-instructional services	214,968	(2,439)	160,633	(23,589)
Food service operations	905,917	50,614	864,707	(46,626)
Extracurricular activities	630,680	348,209	687,071	367,209
Interest and fiscal charges	<u>153,577</u>	<u>153,577</u>	<u>158,934</u>	<u>158,934</u>
Total expenses	<u><u>\$ 20,354,046</u></u>	<u><u>\$ 14,672,664</u></u>	<u><u>\$ 21,231,510</u></u>	<u><u>\$ 17,019,055</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The dependence upon tax and other general revenues for governmental activities is apparent, 66.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.09%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$2,550,744, which is \$219,581 greater than last year's total of \$2,331,163. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The fund balances at June 30, 2010 have been restated as described in Note 3.B

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance (Deficit) <u>June 30, 2010</u>	Increase / <u>(Decrease)</u>
General	\$ 1,087,750	\$ 1,161,053	\$ (73,303)
Debt service	1,176,930	1,231,766	(54,836)
Other Governmental	<u>286,064</u>	<u>(61,656)</u>	<u>347,720</u>
Total	<u>\$ 2,550,744</u>	<u>\$ 2,331,163</u>	<u>\$ 219,581</u>

General Fund

The District's general fund, fund balance decreased by \$73,303. The table on the following page assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>2011</u> <u>Amount</u>	Restated <u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,133,236	\$ 4,714,751	8.88 %
Tuition and fees	240,754	245,484	(1.93) %
Earnings on investments	14,720	26,543	(44.54) %
Intergovernmental	10,648,569	10,759,704	(1.03) %
Other revenues	<u>190,592</u>	<u>221,495</u>	(13.95) %
 Total	 <u>\$ 16,227,871</u>	 <u>\$ 15,967,977</u>	 1.63 %
<u>Expenditures</u>			
Instruction	\$ 9,824,013	\$ 9,687,501	1.41 %
Support services	6,010,778	6,530,428	(7.96) %
Extracurricular activities	334,664	352,585	(5.08) %
Capital outlay	130,086	-	(100.00) %
Debt service	<u>78,103</u>	<u>54,973</u>	42.08 %
 Total	 <u>\$ 16,377,644</u>	 <u>\$ 16,625,487</u>	 (1.49) %

The increase in taxes of \$418,485 or 8.88% is due in part to an increase in the amount of taxes available for advance. This can fluctuate due to the timing of the tax bills sent from the County. Interest revenue decreased due to lower interest rates on the District's investments. Capital outlay and debt service expenditures both increased as a result of a new capital lease for copier equipment. The District implemented cost saving measures which resulted in an overall decrease in general fund expenditures.

Debt Service Fund

The District's debt service fund, fund balance decreased by \$54,836. The table that follows assists in illustrating the financial activities and fund balance of the debt service fund.

	<u>2011</u> <u>Amount</u>	2010 <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 165,911	\$ 157,399	5.41 %
Intergovernmental	<u>62,567</u>	<u>63,333</u>	(1.21) %
Total	<u>\$ 228,478</u>	<u>\$ 220,732</u>	3.51 %
<u>Expenditures</u>			
Support services	\$ 6,363	\$ 4,775	33.26 %
Principal retirement	160,000	150,000	6.67 %
Interest and fiscal charges	<u>116,951</u>	<u>125,100</u>	(6.51) %
Total	<u>\$ 283,314</u>	<u>\$ 279,875</u>	1.23 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,921,396, which was \$710,896 higher than the original budgeted revenues and other financing sources estimate of \$17,210,500. Actual revenues and other financing sources for fiscal 2011 was \$17,921,128. This approximates the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$19,055,461 were decreased to \$18,455,461 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$18,134,951, which was \$320,510 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$5,164,426 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2011 balances compared to 2010:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 174,448	\$ 174,448
Land improvements	218,970	234,122
Building and improvements	3,284,315	3,362,617
Furniture and equipment	959,692	901,864
Vehicles	<u>527,001</u>	<u>532,107</u>
Total	<u>\$ 5,164,426</u>	<u>\$ 5,205,158</u>

The District acquired \$505,923 in capital asset additions during fiscal 2011. Total disposals to capital assets for 2010 were \$47,039 (net of accumulated depreciation). The District recorded \$499,616 in depreciation expense for fiscal 2011.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Debt Administration

At June 30, 2011, the District had \$2,516,003 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$311,045 is due within one year and \$2,204,958 is due in greater than one year. The following table summarizes the bonds, loans and lease obligations outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
General obligation bonds:		
Refunded elementary school renovation	\$ 1,990,000	\$ 2,150,000
Loans payable:		
Energy conservation	222,560	266,089
Capital improvement loan	97,724	-
Capital lease obligations	<u>205,719</u>	<u>135,300</u>
 Total	 <u>\$ 2,516,003</u>	 <u>\$ 2,551,389</u>

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

At June 30, 2011, the District's overall legal debt margin was \$16,753,531 with an unvoted debt margin of \$195,184 and an energy conservation debt margin of \$1,534,100.

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

Current Financial Related Activities

The District continues to carefully manage its general fund budget in order to optimize education dollars for the students of our district. However, we continue to watch our expenses very carefully. On June 30, 2011, our unencumbered general fund balance was \$1,508,135. A triennial update of property taxes took place in 2009. The next reappraisal will be in tax year 2012. Our property valuation has dropped and home foreclosures continue. The District has seen some negative impact financially. Delinquent taxes also continue to be a major concern for our District. Enrollment continues to decline which will reduce our foundation payment.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Due to reduction in force and attrition, we had a reduction in the cost of personal services of almost \$318,000. Although new members are added to our health insurance during our open enrollment each September to increase our actual costs, both the certified and classified unions added working spouse language to their contracts and that has currently saved us about \$250,000. Purchased services did see a reduction in cost in fiscal year 2011. However, this is one area that continues to concern us as we cannot control the costs for open enrollment, community schools, charter schools and court placed students. Another concern is that since its inception, a grant has been used to fund our elementary handicap unit at Central School. We no longer receive the funds from that grant to cover the unit. Therefore, the general fund was responsible for the \$89,000 per year. We did receive Title ARRA money totaling \$192,520 which was used to provide salaries and benefits for employees. This ended in June 2011. Beginning in fiscal year 2012, the employees that were paid from ARRA funds, will be paid for one year from an education jobs grant totaling \$451,103. We will also be receiving additional funding for professional development from the Race to the Top grant in fiscal year 2012.

We expect that supplies and capital expenditures will not increase this year as we have implemented cost cutting measures. We have implemented a freeze on purchasing new textbooks. Increased utility costs, as well as increased costs for special education due to additional students, also continue to be a concern. Our expenditure per pupil is still significantly lower than the state average and we will continue to try and keep the cost per pupil as low as possible, while meeting the needs of our students. We will also continue to monitor our financial situation very closely. The community recently approved a levy to build a new Pre K- 12 building at our current site. The new building should be open by September 2015.

A key component to any strong community is having strong schools and the Willard City Schools have a rich tradition of educational excellence. The District is approximately ninety square miles in size and has an enrollment of 1,875 students.

Striving for excellence continues to be the goal as the District has made monumental strides on the 2011 grade card set forth by the State Department of Education. The District met 23 out of 26 indicators for an 88.5% success rate which rates as an Excellent school district. The District and community are very proud of the Excellent rating as it is the first time in history the Willard City Schools have been rated in that category. Also, 79.4% of our students passed all five of the requirements of the Ohio Graduation Test as the state average was 69%. The District continues to seek ways to better meet the needs of all of their students and will always be striving for excellence.

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

- Analysis of the data, including the local report card, accountability workbook data, formative assessment data, CCIP needs assessment data, culture and climate data, retention and drop-out data and discipline data.
- Identification of root causes by looking at achievement gaps included in the item analysis determined by analyzing subgroup growth, the level of intervention strategies and the implications of the performance index.
- Creation of a plan (criteria established through the Ohio Improvement Process) based on the district needs assessment, gap analysis, and overall building plans will focus the districts effort this next year.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Cyndi Shoup, Treasurer, 955 South Main Street, Willard, Ohio, 44890-0150.

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,861,011
Receivables:	
Property taxes	5,930,801
Accounts.	30,395
Intergovernmental	672,828
Prepayments	58,088
Materials and supplies inventory.	78,976
Unamortized bond issuance costs	60,596
Capital assets:	
Land.	174,448
Depreciable capital assets, net.	4,989,978
Capital assets, net	<u>5,164,426</u>
 Total assets.	 <u>15,857,121</u>
 Liabilities:	
Accounts payable.	148,173
Accrued wages and benefits	1,953,119
Pension obligation payable.	404,590
Intergovernmental payable	73,173
Unearned revenue	4,352,826
Accrued interest payable	10,001
Long-term liabilities:	
Due within one year.	383,545
Due in more than one year.	3,279,320
Total long-term liabilities	<u>3,662,865</u>
 Total liabilities	 <u>10,604,747</u>
 Net Assets:	
Invested in capital assets, net of related debt.	2,587,827
Restricted for:	
Capital projects	23,867
Permanent endowment.	779
Debt service.	1,181,568
Locally funded programs	899
State funded programs.	478,886
Federally funded programs	181,842
Student activities	131,411
Other purposes	47,605
Unrestricted.	<u>617,690</u>
 Total net assets	 <u>\$ 5,252,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 7,789,657	\$ 309,002	\$ 1,324,319	\$ (6,156,336)
Special	1,743,794	-	1,888,084	144,290
Vocational	212,971	-	38,403	(174,568)
Other	2,323,559	-	499,532	(1,824,027)
Support services:				
Pupil.	804,397	-	8,073	(796,324)
Instructional staff	573,644	-	16,289	(557,355)
Board of education	438,862	-	-	(438,862)
Administration.	1,881,880	-	143,041	(1,738,839)
Fiscal.	404,498	-	-	(404,498)
Business.	50,213	-	-	(50,213)
Operations and maintenance	1,321,134	5,783	2,554	(1,312,797)
Pupil transportation.	899,333	12,046	79,075	(808,212)
Central	4,962	-	-	(4,962)
Operation of non-instructional services:				
Other non-instructional services	214,968	-	217,407	2,439
Food service operations	905,917	319,553	535,750	(50,614)
Extracurricular activities.	630,680	250,645	31,826	(348,209)
Interest and fiscal charges	153,577	-	-	(153,577)
Totals	\$ 20,354,046	\$ 897,029	\$ 4,784,353	(14,672,664)

General Revenues:	
Property taxes levied for:	
General purposes	5,163,446
Debt service.	167,210
Capital outlay.	161,575
Grants and entitlements not restricted to specific programs	
Investment earnings	15,309
Miscellaneous	103,926
Total general revenues	15,594,612
Change in net assets	921,948
Net assets at beginning of year.	4,330,426
Net assets at end of year	\$ 5,252,374

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,169,304	\$ 1,143,895	\$ 547,812	\$ 3,861,011
Receivables:				
Property taxes.	5,023,354	747,256	160,191	5,930,801
Accounts	29,395	-	1,000	30,395
Interfund loans	136,764	-	-	136,764
Intergovernmental.	7,991	-	664,837	672,828
Prepayments.	58,088	-	-	58,088
Materials and supplies inventory.	59,973	-	19,003	78,976
Total assets	<u>\$ 7,484,869</u>	<u>\$ 1,891,151</u>	<u>\$ 1,392,843</u>	<u>\$ 10,768,863</u>
Liabilities:				
Accounts payable	\$ 52,286	\$ -	\$ 95,887	\$ 148,173
Accrued wages and benefits.	1,873,803	-	79,316	1,953,119
Compensated absences payable	48,983	-	-	48,983
Interfund loans payable.	-	-	136,764	136,764
Intergovernmental payable	65,541	-	7,632	73,173
Unearned revenue.	3,539,443	699,582	113,801	4,352,826
Deferred revenue	438,299	14,639	647,553	1,100,491
Pension obligation payable	378,764	-	25,826	404,590
Total liabilities.	<u>6,397,119</u>	<u>714,221</u>	<u>1,106,779</u>	<u>8,218,119</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	59,973	-	19,003	78,976
Prepays.	58,088	-	-	58,088
Permanent fund	-	-	779	779
Restricted:				
Debt service	-	1,176,930	-	1,176,930
Capital improvements	-	-	9,959	9,959
Food service operations	-	-	55,868	55,868
Migrant program	-	-	4,276	4,276
Non-public schools	-	-	15,097	15,097
Targeted academic assistance	-	-	36,577	36,577
Extracurricular.	-	-	131,411	131,411
Other purposes.	-	-	15,628	15,628
Assigned:				
Student instruction	48,097	-	-	48,097
Student and staff support.	573,979	-	-	573,979
Unassigned (deficit).	347,613	-	(2,534)	345,079
Total fund balances	<u>1,087,750</u>	<u>1,176,930</u>	<u>286,064</u>	<u>2,550,744</u>
Total liabilities and fund balances	<u>\$ 7,484,869</u>	<u>\$ 1,891,151</u>	<u>\$ 1,392,843</u>	<u>\$ 10,768,863</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	2,550,744
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,164,426
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	458,855	
Intergovernmental receivable		641,636	
Total		1,100,491	1,100,491
Bond issuance costs are not recognized in the funds.			60,596
Unamortized premiums on bond issuance costs are not recognized in the funds.			(168,183)
Unamortized amounts on refundings are not recognized in the funds.			107,587
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(10,001)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(1,990,000)	
Capital lease obligations		(205,719)	
Compensated absences		(1,037,283)	
Loans payable		(320,284)	
Total		(3,553,286)	(3,553,286)
Net assets of governmental activities		\$	5,252,374

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,133,236	\$ 165,911	\$ 160,446	\$ 5,459,593
Tuition	228,708	-	-	228,708
Transportation fees	12,046	-	-	12,046
Earnings on investments	14,720	-	589	15,309
Charges for services	-	-	319,553	319,553
Extracurricular	38,219	-	238,602	276,821
Classroom materials and fees	39,258	-	-	39,258
Rental income	5,783	-	-	5,783
Contributions and donations	1,027	-	31,826	32,853
Contract services	1,660	-	-	1,660
Other local revenues	104,645	-	11,454	116,099
Intergovernmental - intermediate	-	-	9,141	9,141
Intergovernmental - state	10,491,081	62,567	220,653	10,774,301
Intergovernmental - federal	157,488	-	3,241,642	3,399,130
Total revenues	<u>16,227,871</u>	<u>228,478</u>	<u>4,233,906</u>	<u>20,690,255</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,775,237	-	834,233	7,609,470
Special	842,772	-	892,945	1,735,717
Vocational	205,903	-	-	205,903
Other	2,000,101	-	322,095	2,322,196
Support services:				
Pupil	787,779	-	7,075	794,854
Instructional staff	568,703	-	15,207	583,910
Board of education	438,862	-	-	438,862
Administration	1,712,948	646	104,928	1,818,522
Fiscal	394,863	5,717	2,014	402,594
Business	41,836	-	-	41,836
Operations and maintenance	1,276,431	-	4,559	1,280,990
Pupil transportation	784,394	-	2,756	787,150
Central	4,962	-	-	4,962
Operation of non-instructional services:				
Other non-instructional services	-	-	214,582	214,582
Food service operations	-	-	901,516	901,516
Extracurricular activities	334,664	-	285,181	619,845
Facilities acquisition and construction	-	-	392,377	392,377
Capital outlay	130,086	-	-	130,086
Debt service:				
Principal retirement	59,667	160,000	65,805	285,472
Interest and fiscal charges	18,436	116,951	19,161	154,548
Total expenditures	<u>16,377,644</u>	<u>283,314</u>	<u>4,064,434</u>	<u>20,725,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(149,773)</u>	<u>(54,836)</u>	<u>169,472</u>	<u>(35,137)</u>
Other financing sources (uses):				
Sale of capital assets	4,632	-	-	4,632
Loan issuance	-	-	120,000	120,000
Transfers in	-	-	58,248	58,248
Transfers (out)	(58,248)	-	-	(58,248)
Capital lease transaction	130,086	-	-	130,086
Total other financing sources (uses)	<u>76,470</u>	<u>-</u>	<u>178,248</u>	<u>254,718</u>
Net change in fund balances	(73,303)	(54,836)	347,720	219,581
Fund balances (deficit)				
at beginning of year (restated)	1,161,053	1,231,766	(61,656)	2,331,163
Fund balances at end of year	<u>\$ 1,087,750</u>	<u>\$ 1,176,930</u>	<u>\$ 286,064</u>	<u>\$ 2,550,744</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	219,581
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 505,923	
Current year depreciation	(499,616)	
Total		6,307
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(47,039)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	32,638	
Intergovernmental	561,092	
Total		593,730
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	160,000	
Loans	65,805	
Capital leases	59,667	
Total		285,472
Issuance of loans and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
Loans	(120,000)	
Capital leases	(130,086)	
Total		(250,086)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	971	
Amortization of bond issuance costs	(7,819)	
Amortization of bond premiums	21,701	
Amortization of deferred charges	(13,882)	
Total		971
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		113,012
Change in net assets of governmental activities	\$	921,948

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 4,614,932	\$ 4,805,413	\$ 4,805,484	\$ 71
Tuition.	219,639	228,716	228,708	(8)
Transportation fees.	11,568	12,050	12,046	(4)
Earnings on investments	14,308	14,936	14,923	(13)
Classroom materials and fees	9,904	10,335	10,313	(22)
Rental income	5,554	5,800	5,783	(17)
Contract services.	1,594	1,675	1,660	(15)
Other local revenues	100,613	104,780	104,743	(37)
Intergovernmental - state	10,075,078	10,491,050	10,491,081	31
Intergovernmental - federal	151,243	157,497	157,488	(9)
Total revenues	<u>15,204,433</u>	<u>15,832,252</u>	<u>15,832,229</u>	<u>(23)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,594,952	6,624,940	6,420,619	204,321
Special.	986,893	858,763	855,123	3,640
Vocational.	201,298	206,182	202,962	3,220
Other.	2,196,835	2,043,165	2,024,275	18,890
Support services:				
Pupil.	772,924	788,425	780,812	7,613
Instructional staff	680,969	617,222	609,462	7,760
Board of education	537,170	502,809	498,093	4,716
Administration.	1,729,115	1,752,153	1,734,941	17,212
Fiscal	398,725	391,968	388,232	3,736
Business	501,040	342,439	339,254	3,185
Operations and maintenance.	1,607,879	1,459,703	1,444,814	14,889
Pupil transportation	861,951	841,379	833,537	7,842
Central.	10,683	7,332	7,265	67
Extracurricular activities.	326,542	333,949	330,720	3,229
Total expenditures	<u>17,406,976</u>	<u>16,770,429</u>	<u>16,470,109</u>	<u>300,320</u>
(Deficiency) of revenues (under) expenditures.	<u>(2,202,543)</u>	<u>(938,177)</u>	<u>(637,880)</u>	<u>300,297</u>
Other financing sources (uses):				
Refund of prior year's expenditures	23,158	24,341	24,114	(227)
Transfers (out).	(62,188)	(63,582)	(58,248)	5,334
Advances in.	1,978,461	2,060,115	2,060,153	38
Advances (out)	(1,586,297)	(1,621,450)	(1,606,594)	14,856
Sale of capital assets	4,448	4,688	4,632	(56)
Total other financing sources (uses)	<u>357,582</u>	<u>404,112</u>	<u>424,057</u>	<u>19,945</u>
Net change in fund balance	(1,844,961)	(534,065)	(213,823)	320,242
Fund balance at beginning of year	971,747	971,747	971,747	-
Prior year encumbrances appropriated	750,211	750,211	750,211	-
Fund balance (deficit) at end of year.	<u>\$ (123,003)</u>	<u>\$ 1,187,893</u>	<u>\$ 1,508,135</u>	<u>\$ 320,242</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 16,194
Total assets.	\$ 16,194
Liabilities:	
Due to students.	\$ 16,194
Total liabilities	\$ 16,194

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1961 through the consolidation of existing land areas and school districts. The District serves an area of approximately 90 square miles. It is located in Huron County, and includes the City of Willard, and the Villages of Plymouth, New Haven and Steuben and portions of Richmond, Greenfield, Auburn, Norwich, and New Haven Townships. The District is the 304th largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It is staffed by 89 non-certified employees and 141 certified full-time teaching personnel, who provide services to 1,767 students and other community members. The District currently operates 6 instructional buildings and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2011, the District paid \$180,006 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

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

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

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group II Rating Plan

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Huron-Erie School Employees Insurance Association

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

RELATED ORGANIZATION

Willard Memorial Library

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. The District did not have any investments at June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$14,720, which includes \$7,191 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 5 years of service, at least 45 years of age with 15 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized on the fund financial statements when due.

M. Fund Balance

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

N. Net Assets

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

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

R. Nonpublic Schools

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 1,115,818	\$ 1,231,766	\$ (16,421)	\$ 2,331,163
Fund reclassifications:				
Public school support fund	23,868	-	(23,868)	-
Uniform school supplies fund	<u>21,367</u>	<u>-</u>	<u>(21,367)</u>	<u>-</u>
Total fund reclassifications	<u>45,235</u>	<u>-</u>	<u>(45,235)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 1,161,053</u>	<u>\$ 1,231,766</u>	<u>\$ (61,656)</u>	<u>\$ 2,331,163</u>

The fund reclassifications did not have an effect on net assets as previously reported.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 26
Career tech	12
IDEA Part-B	2,063
IDEA preschool grant	89
Improving teacher quality	273
Title III	71

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$3,876,330. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$3,802,731 of the District's bank balance of \$4,052,731 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets as of June 30, 2011:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 3,876,330
Cash on hand	<u>3,575</u>
Total	<u>\$ 3,879,905</u>
 <u>Cash per statement of net assets</u>	
Governmental activities	\$ 3,863,711
Agency funds	<u>16,194</u>
Total	<u>\$ 3,879,905</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statement:

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

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 136,764</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Huron County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$725,851 in the general fund, \$23,418 in the debt service fund and \$23,051 in the permanent improvement capital projects fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$725,851 in the general fund, \$23,418 in the debt service fund and \$23,051 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 189,182,750	97.13	\$ 189,581,900	97.13
Public utility personal	<u>5,598,760</u>	<u>2.87</u>	<u>5,602,560</u>	<u>2.87</u>
Total	<u>\$ 194,781,510</u>	<u>100.00</u>	<u>\$ 195,184,460</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

Operations	\$46.65	\$46.65
Permanent improvements	1.00	1.00
Debt service	0.90	0.90

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 5,930,801
Accounts	30,395
Intergovernmental	<u>672,828</u>
 Total	 <u><u>\$ 6,634,024</u></u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 06/30/10	Additions	Deductions	Balance 06/30/11
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,448	\$ -	\$ -	\$ 174,448
Total capital assets, not being depreciated	<u>174,448</u>	<u>-</u>	<u>-</u>	<u>174,448</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	472,461	-	-	472,461
Buildings and improvements	11,872,875	221,960	-	12,094,835
Furniture and equipment	2,097,526	175,491	(100,158)	2,172,859
Vehicles	<u>1,176,231</u>	<u>108,472</u>	<u>(59,882)</u>	<u>1,224,821</u>
Total capital assets, being depreciated	<u>15,619,093</u>	<u>505,923</u>	<u>(160,040)</u>	<u>15,964,976</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(238,339)	(15,152)	-	(253,491)
Buildings and improvements	(8,510,258)	(300,262)	-	(8,810,520)
Furniture and equipment	(1,195,662)	(104,654)	87,149	(1,213,167)
Vehicles	<u>(644,124)</u>	<u>(79,548)</u>	<u>25,852</u>	<u>(697,820)</u>
Total accumulated depreciation	<u>(10,588,383)</u>	<u>(499,616)</u>	<u>113,001</u>	<u>(10,974,998)</u>
Governmental activities capital assets, net	<u><u>\$ 5,205,158</u></u>	<u><u>\$ 6,307</u></u>	<u><u>\$ (47,039)</u></u>	<u><u>\$ 5,164,426</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 251,870
Special	11,689
Vocational	5,490
<u>Support services:</u>	
Pupil	7,366
Instructional staff	35,877
Administration	57,816
Fiscal	1,790
Operations and maintenance	22,537
Pupil transportation	80,091
Operation of non-instructional	386
Extracurricular activities	9,066
Food service operations	<u>15,638</u>
Total depreciation expense	<u>\$ 499,616</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$364,557, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2011 was \$143,276, leaving a current book value of \$221,281. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2011 fiscal year totaled \$59,667. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liability on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 85,813
2013	72,070
2014	30,840
2015	30,840
2016	<u>15,419</u>
Total minimum lease payment	234,982
Less: amount representing interest	<u>(29,263)</u>
Present value of minimum lease payments	<u>\$ 205,719</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 07/01/10</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/11</u>	<u>Amount Due in One Year</u>
<u>G.O. Bonds Payable</u>								
School improvement refunding	2004	2020	Variable	\$ 2,150,000	\$ -	\$ (160,000)	\$ 1,990,000	\$ 170,000
Total G.O. bonds				<u>2,150,000</u>	<u>-</u>	<u>(160,000)</u>	<u>1,990,000</u>	<u>170,000</u>
<u>Loans Payable</u>								
Energy conservation	2001	2016	5.85%	266,089	-	(43,529)	222,560	46,112
Capital improvement	2011	2015	4.00%	-	120,000	(22,276)	97,724	22,977
Total loans payable				<u>266,089</u>	<u>120,000</u>	<u>(65,805)</u>	<u>320,284</u>	<u>69,089</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				135,300	130,086	(59,667)	205,719	71,956
Compensated absences				1,179,987	23,517	(117,238)	1,086,266	72,500
Total other long-term obligations				<u>1,315,287</u>	<u>153,603</u>	<u>(176,905)</u>	<u>1,291,985</u>	<u>144,456</u>
Total governmental activities				<u>\$ 3,731,376</u>	<u>\$ 273,603</u>	<u>\$ (402,710)</u>	3,602,269	<u>\$ 383,545</u>
Less: unamortized deferred charge on refunding							(107,587)	
Add: unamortized premium on bonds							<u>168,183</u>	
Total on statement of net assets							<u>\$ 3,662,865</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 170,000	\$ 107,875	\$ 277,875	\$ 69,089	\$ 15,876	\$ 84,965
2013	180,000	98,250	278,250	72,835	12,131	84,966
2014	195,000	87,938	282,938	76,758	8,208	84,966
2015	205,000	76,938	281,938	80,896	4,070	84,966
2016	220,000	64,975	284,975	20,706	412	21,118
2017 - 2020	<u>1,020,000</u>	<u>121,037</u>	<u>1,141,037</u>	-	-	-
Total	<u>\$ 1,990,000</u>	<u>\$ 557,013</u>	<u>\$ 2,547,013</u>	<u>\$ 320,284</u>	<u>\$ 40,697</u>	<u>\$ 360,981</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$16,753,531 (including available funds of \$1,176,930) and an unvoted debt margin of \$195,184 and an unvoted energy conservation debt margin of \$1,534,100.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$2,500	\$48,275,286
Inland Marine Coverage	500	included
Athletic Equipment		50,000
Camera and Audio Video		50,000
Fine Arts		50,000
Signs		10,000
Dwelling-Vocational		100,000
Musical Instruments, Band and Choir Equipment	500	223,500
General Liability	N/A	1,000,000/2,000,000
Employers Stop Gap Liability	N/A	1,000,000/3,000,000
School Professional Errors and Omissions Liability	10,000	1,000,000/1,000,000 aggregate
Sexual Misconduct Liability	N/A	1,000,000/1,000,000
Employee Benefits Liability	1,000	1,000,000/3,000,000 aggregate
Excess Umbrella Liability	10,000 (retention)	5,000,000
Automobile Liability N/A	N/A	1,000,000
Uninsured Motorists Bodily Injury Liability	N/A	1,000,000
Auto Comprehensive	500	per stated vehicle
Auto Collision	1,000	per stated vehicle

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2010.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Employee Health Benefits

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

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

C. Workers' Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$244,064, \$273,897 and \$189,484, respectively; 50.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,096,264, \$1,149,852 and \$1,134,302, respectively; 83.40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$12,040 made by the District and \$8,600 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$74,229, \$42,794 and \$127,740, respectively; 50.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$15,706, \$16,288 and \$15,610, respectively; 50.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$84,328, \$88,450 and \$87,254, respectively; 83.40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (213,823)
Net adjustment for revenue accruals	327,140
Net adjustment for expenditure accruals	(459,264)
Net adjustment for other sources/uses	(342,851)
Funds budgeted elsewhere	(11,081)
Adjustment for encumbrances	626,576
GAAP basis	\$ (73,303)

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	268,737	268,737
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(148,540)	(132,354)
Excess qualified expenditures from prior years	(477,766)	-
Current year offsets	-	(211,410)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (357,569)</u>	<u>\$ (75,027)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 598,077
Other nonmajor governmental funds	<u>784,629</u>
Total	<u>\$ 1,382,706</u>

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

On July 21, 2011, the District issued \$20,997,197 in school facilities construction improvement bonds with interest rates from 1.79 - 4.30 percent. The final maturity on the bonds is January 15, 2044.

In July 2011, the District entered into a construction agreement with the Ohio School Facilities Commission ("OSFC") for a \$51,648,815 building project. The State share of the project is \$32,538,753 and the local share of the project is \$19,110,062.

SUPPLEMENTARY DATA

**WILLARD CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(D) (C) School Breakfast Program	10.553	2011	\$ 94,159	\$ 94,159
(D) (C) National School Lunch Program	10.555	2011	374,347	374,347
(D) (E) National School Lunch Program - Food Donation	10.555	2011	52,692	52,692
Total National School Lunch Program			<u>427,039</u>	<u>427,039</u>
(D) (C) Special Milk Program for Children	10.556	2011	691	691
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>521,889</u>	<u>521,889</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) Title I Grants to Local Educational Agencies	84.010	2010	298,730	6,945
(F) Title I Grants to Local Educational Agencies	84.010	2010	10,000	5,991
(F) Title I Grants to Local Educational Agencies	84.010	2011	640,518	585,543
Total Title I Grants to Local Educational Agencies			<u>949,248</u>	<u>598,479</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	52,140	1,265
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	179,018	179,001
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>231,158</u>	<u>180,266</u>
Total Title I Grant Cluster			<u>1,180,406</u>	<u>778,745</u>
Special Education Grant Cluster:				
(G) Special Education _Grants to States	84.027	2010	62,088	1,990
(G) Special Education _Grants to States	84.027	2011	431,892	431,892
Total Special Education _Grants to States			<u>493,980</u>	<u>433,882</u>
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	3,427	84
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	7,962	11,125
Total ARRA - Special Education _Grants to States, Recovery Act			<u>11,389</u>	<u>11,209</u>
(G) Special Education _Preschool Grants	84.173	2010	8,490	572
(G) Special Education _Preschool Grants	84.173	2011	15,712	15,712
Total Special Education _Preschool Grants			<u>24,202</u>	<u>16,284</u>
(G)(H) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	(12)	1,538
(G)(H) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011	2,378	2,378
Total ARRA - Special Education _Preschool Grants, Recovery Act			<u>2,366</u>	<u>3,916</u>
Total Special Education Grant Cluster			<u>531,937</u>	<u>465,291</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395	2011	11,000	10,925
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	2,615	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	691,643	691,643
Education Technology State Grants	84.318	2010	2,864	-
Education Technology State Grants	84.318	2011	2,311	2,311
Education Technology State Grants			<u>5,175</u>	<u>2,311</u>
English Language Acquisition Grants	84.365	2011	17,860	17,860
Improving Teacher Quality State Grants	84.367	2010	100,014	19,444
Improving Teacher Quality State Grants	84.367	2011	103,903	131,861
Total Improving Teacher Quality State Grants			<u>203,917</u>	<u>151,305</u>
Rural Education	84.358	2011	40,721	38,942
Migrant Education_State Grant Program	84.011	2010	104,284	56,241
Migrant Education_State Grant Program	84.011	2011	212,482	190,684
Total Migrant Education_State Grant Program			<u>316,766</u>	<u>246,925</u>
Total U.S. Department of Education			<u>3,002,040</u>	<u>2,403,947</u>
Total Federal Financial Assistance			<u>\$ 3,523,929</u>	<u>\$ 2,925,836</u>

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" when determining major programs.
- (G) Included as part of "Special Education Grant Cluster" when determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
ARRA - Early Childhood Special Education, Recovery Act	84.392	2010	12	
ARRA - Early Childhood Special Education, Recovery Act	84.392	2011		12
Totals			<u>\$ 12</u>	<u>\$ 12</u>



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required By *Government Auditing Standards***

Willard City School District
Huron County
955 South Main Street
Willard, Ohio 44890-0150

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Willard City School District's basic financial statements and have issued our report thereon dated November 11, 2011. We noted the Willard City School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Willard City School District

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.
November 11, 2011



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**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Programs and on Internal Control Over Compliance
Required By OMB Circular A-133**

Willard City School District
Huron County
955 South Main Street
Willard, Ohio 44890-0150

To the Board of Education:

Compliance

We have audited the compliance of the 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 could directly and materially affect each of Willard City School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Willard City School District's major federal programs. The Willard City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Willard City School District's compliance based on our audit.

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

In our opinion, the Willard City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

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

Board of Education
Willard City School District

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

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

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

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

Julian & Grube, Inc.
November 11, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies (CFDA #84.010) and ARRA-Title I Grants to Local Educational Agencies (CFDA #84.389); ARRA-State Fiscal Stabilization Fund (SFSF) - Educational State Grants, Recovery Act (CFDA #84.394)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	<u>Finding for Recovery</u> There was an error made when preparing the 2009-2010 school year salary notifications to certain District teachers. As a result, teachers were over-compensated.	Yes	N/A
2010-002	<u>Finding for Recovery Repaid Under Audit</u> There was an error made when preparing the 2009-2010 school year salary notifications to certain District teachers. As a result, teachers were over-compensated.	Yes	N/A
2010-003	<u>Finding for Recovery</u> Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes.	No	Investigation is still in progress



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Willard City School District
955 South Main Street
Willard, Ohio 44890-0150

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 27, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.
November 11, 2011



Dave Yost • Auditor of State

WILLARD CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2012**