

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

CYNDI SHOUP, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Willard City School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 5, 2016

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Willard City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Willard City School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the Willard City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Willard City School District's internal control over financial reporting and compliance.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The discussion and analysis of the Willard City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- In total, net position of governmental activities decreased \$440,599 which represents a 3.27% decrease from 2014.
- General revenues accounted for \$18,002,639 in revenue or 82.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,835,351 or 17.56% of total revenues of \$21,837,990.
- The District had \$22,278,589 in expenses related to governmental activities; only \$3,835,351 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 \$18,002,639 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund, and the classroom facilities fund. The general fund had \$16,832,821 in revenues and other financing sources and \$15,905,552 in expenditures and other financing uses. During fiscal 2015, the general fund's fund balance increased \$927,269 from a deficit balance of \$420,377 to \$506,892.
- The bond retirement fund had \$2,374,409 in revenues and \$1,699,131 in expenditures. During fiscal 2015, the bond retirement fund's fund balance increased \$675,278 from a balance of \$2,663,542 to a balance of \$3,338,820.
- The classroom facilities fund had \$9,421,322 in revenues and \$15,817,671 in expenditures. During fiscal 2015, the classroom facilities fund's fund balance decreased \$6,396,349 from a balance of \$17,265,369 to a balance of \$10,869,020.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 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 12. 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, bond retirement fund and the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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 25-64 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 65-71 of this report.

The District as a Whole

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

The table on the following page provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<u>Assets</u>		
Current and other assets	\$ 27,012,347	\$ 40,427,516
Capital assets, net	<u>44,514,154</u>	<u>30,139,298</u>
Total assets	<u>71,526,501</u>	<u>70,566,814</u>
<u>Deferred outflows of resources</u>	<u>1,562,915</u>	<u>1,324,325</u>
<u>Liabilities</u>		
Current liabilities	5,960,498	4,889,996
Long-term liabilities:		
Due within one year	961,491	872,105
Due in more than one year:		
Net pension liability	20,271,895	24,098,076
Other amounts	<u>24,774,548</u>	<u>23,960,728</u>
Total liabilities	<u>51,968,432</u>	<u>53,820,905</u>
<u>Deferred inflows of resources</u>	<u>8,078,008</u>	<u>4,586,659</u>
<u>Net Position</u>		
Investment in capital assets	27,235,685	17,071,185
Restricted	9,837,491	20,061,616
Unrestricted (deficit)	<u>(24,030,200)</u>	<u>(23,649,226)</u>
Total net position	<u>\$ 13,042,976</u>	<u>\$ 13,483,575</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pensions and the net pension liability to the reported net position and subtracting deferred outflows related to pensions.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$36,323,267 to \$13,483,575.

Net position decreased \$440,599 or 3.27%, from a restated balance of \$13,483,575 to \$13,042,976.

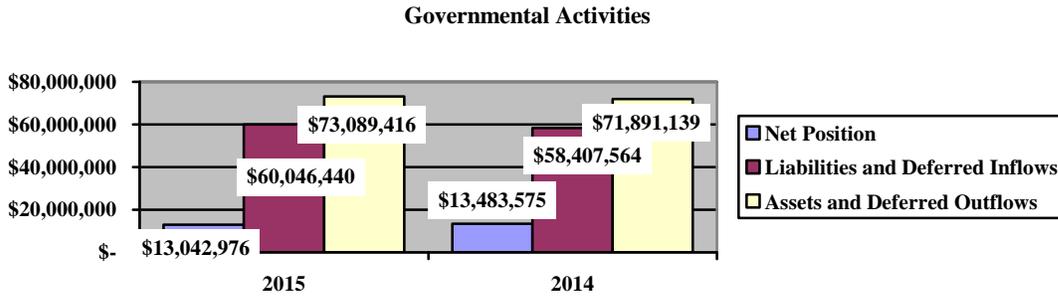
At year-end, capital assets represented 62.23% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets was \$27,235,685. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$9,837,491, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$24,030,200.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The graph below shows the District's assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2015 and 2014:



The table below shows the change in net position for fiscal years 2015 and 2014.

	Change in Net Position	
	Governmental Activities 2015	Governmental Activities 2014
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 643,553	\$ 681,191
Operating grants and contributions	3,111,366	2,873,771
Capital grants and contributions	80,432	33,422
General revenues:		
Property taxes	6,067,048	5,311,460
Income taxes	1,389,336	1,295,747
Grants and entitlements	10,397,509	10,258,154
Investment earnings	20,487	35,071
Other	<u>128,259</u>	<u>143,770</u>
Total revenues	<u>21,837,990</u>	<u>20,632,586</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Change in Net Position

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	6,819,758	7,253,180
Special	1,904,426	1,508,351
Vocational	238,297	200,307
Other	2,404,558	2,144,409
Support services:		
Pupil	672,104	661,130
Instructional staff	861,640	732,283
Board of education	447,897	425,955
Administration	1,917,828	1,512,984
Fiscal	436,556	776,608
Business	28,445	10,758
Operations and maintenance	1,179,881	1,100,171
Pupil transportation	1,053,269	794,177
Central	3,907	4,231
Operations of non-instructional services:		
Other non-instructional services	220,809	151,832
Food service operations	781,000	942,987
Extracurricular activities	579,564	598,095
Intergovernmental pass-thru	1,600,000	-
Interest and fiscal charges	<u>1,128,650</u>	<u>1,213,124</u>
 Total expenses	 <u>22,278,589</u>	 <u>20,030,582</u>
 Change in net position	 (440,599)	 602,004
 Net position at beginning of year	 <u>13,483,575</u>	 <u>n/a</u>
 Net position at end of year	 <u>\$ 13,042,976</u>	 <u>\$ 13,483,575</u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,258,384 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$921,152.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

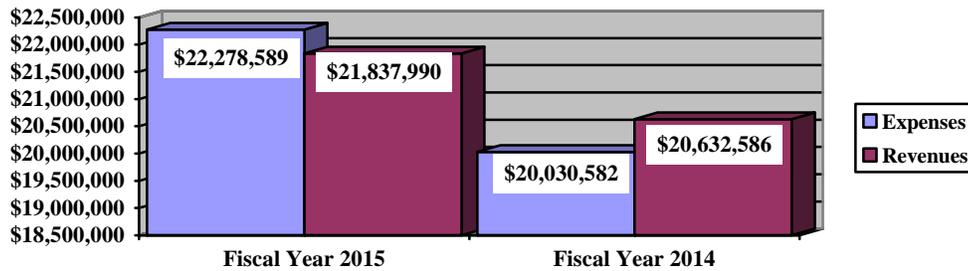
Total 2015 program expenses under GASB 68	\$ 22,278,589
Pension expense under GASB 68	(921,152)
2015 contractually required contributions	<u>1,319,122</u>
Adjusted 2015 program expenses	22,676,559
Total 2014 program expenses under GASB 27	<u>20,030,582</u>
Increase in program expenses not related to pension	<u>\$ 2,645,977</u>

Net position of the District's governmental activities decreased \$440,599. Total governmental expenses of \$22,278,589 were offset by program revenues of \$3,835,351 and general revenues of \$18,002,639. Program revenues supported 17.22% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 81.76% of total governmental revenue. Real estate property is reappraised every six years.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 and 2014.

Governmental Activities - Revenues and Expenses



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program expenses				
Instruction:				
Regular	\$ 6,819,758	\$ 6,354,755	\$ 7,253,180	\$ 6,530,448
Special	1,904,426	85,156	1,508,351	185,270
Vocational	238,297	195,038	200,307	161,207
Other	2,404,558	2,278,689	2,144,409	2,037,509
Support services:				
Pupil	672,104	666,933	661,130	659,365
Instructional staff	861,640	854,440	732,283	725,083
Board of education	447,897	447,897	425,955	425,955
Administration	1,917,828	1,823,846	1,512,984	1,450,473
Fiscal	436,556	433,983	776,608	769,503
Business	28,445	28,445	10,758	10,758
Operations and maintenance	1,179,881	1,168,108	1,100,171	1,051,240
Pupil transportation	1,053,269	1,042,335	794,177	767,268
Central	3,907	3,907	4,231	4,231
Operations of non-instructional services:				
Other non-instructional services	220,809	13,830	151,832	(18,810)
Food service operations	781,000	(30,190)	942,987	105,452
Extracurricular activities	579,564	347,416	598,095	364,122
Intergovernmental pass-thru	1,600,000	1,600,000	-	-
Interest and fiscal charges	1,128,650	1,128,650	1,213,124	1,213,124
Total expenses	<u>\$ 22,278,589</u>	<u>\$ 18,443,238</u>	<u>\$ 20,030,582</u>	<u>\$ 16,442,198</u>

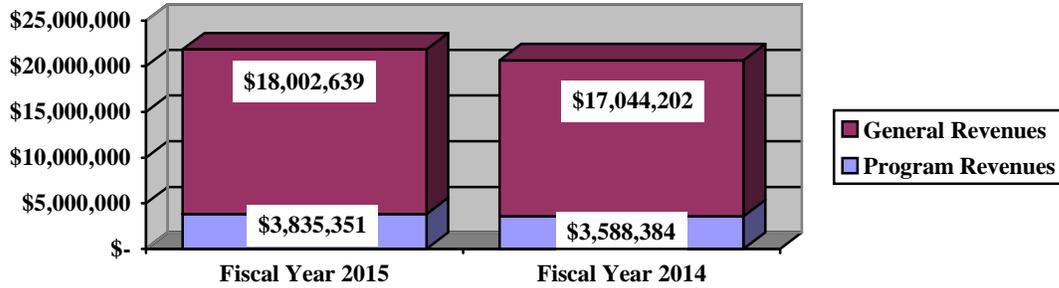
The dependence upon tax and other general revenues for governmental activities is apparent, 78.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.78%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$15,709,201, which is \$4,684,137 less than last year's total of \$20,393,338. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance (Deficit) <u>June 30, 2014</u>	Increase / <u>(Decrease)</u>
General	\$ 506,892	\$ (420,377)	\$ 927,269
Bond retirement	3,338,820	2,663,542	675,278
Classroom facilities	10,869,020	17,265,369	(6,396,349)
Other governmental	<u>994,469</u>	<u>884,804</u>	<u>109,665</u>
Total	<u>\$ 15,709,201</u>	<u>\$ 20,393,338</u>	<u>\$ (4,684,137)</u>

General Fund

The District's general fund, fund balance increased by \$927,269. 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, 2015

	<u>2015</u>	<u>2014</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,249,776	\$ 4,582,679	14.56 %
Tuition and fees	227,345	225,022	1.03 %
Earnings on investments	19,297	7,859	145.54 %
Intergovernmental	11,039,105	10,801,358	2.20 %
Other revenues	<u>165,270</u>	<u>173,059</u>	(4.50) %
 Total	 <u>\$ 16,700,793</u>	 <u>\$ 15,789,977</u>	 5.77 %
<u>Expenditures</u>			
Instruction	\$ 9,453,545	\$ 9,484,859	(0.33) %
Support services	5,926,493	5,761,840	2.86 %
Extracurricular activities	353,798	335,013	5.61 %
Debt service	<u>76,111</u>	<u>76,621</u>	(0.67) %
 Total	 <u>\$ 15,809,947</u>	 <u>\$ 15,658,333</u>	 0.97 %

The increase in taxes of \$667,097 or 14.56% is due in part to a 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 increased due to higher interest rates on the District's investments. The District's expenditures remained stable, with an increase of less than one percent.

Bond Retirement Fund

The District's bond retirement fund had \$2,374,409 in revenues and \$1,699,131 in expenditures. During fiscal 2015, the bond retirement fund's fund balance increased \$675,278 from \$2,663,542 to \$3,338,820. The bond retirement fund receives property taxes, income taxes, interest and homestead and rollback revenue. The primary purpose of the fund is to pay principal and interest on the District's general obligation bonds.

Classroom Facilities Fund

The District's classroom facilities fund had \$9,421,322 in revenues and \$15,817,671 in expenditures. During fiscal 2015, the classroom facilities fund's fund balance decreased \$6,396,349 from \$17,265,369 to \$10,869,020. The decrease in fund balance was a result of the District's facilities acquisition and construction costs for the Ohio Facilities Construction Commission building project.

General Fund Budgeting Highlights

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

During the course of fiscal 2015, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,078,112, which was \$579,112 greater than the original budgeted revenues and other financing sources estimate of \$16,499,000. Actual revenues and other financing sources for fiscal 2015 was \$16,980,129, a decrease of \$97,983 from the final budgeted revenues and other financing sources.

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$17,060,402. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$16,858,710, which was \$201,692 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2015, the District had \$44,514,154 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2015 balances compared to 2014:

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

	Governmental Activities	
	2015	2014
Land	\$ 174,448	\$ 174,448
Construction in progress	41,717,193	25,825,373
Land improvements	313,706	343,007
Building and improvements	1,158,476	2,479,753
Furniture and equipment	811,970	962,873
Vehicles	338,361	353,844
Total	\$ 44,514,154	\$ 30,139,298

The District acquired \$15,891,820 in capital asset additions during fiscal 2015. Total disposals to capital assets for 2015 were \$1,170,080 (net of accumulated depreciation). The District recorded \$464,515 in depreciation expense for fiscal 2015.

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

Debt Administration

At June 30, 2015, the District had \$23,763,154 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$875,568 is due within one year and \$22,887,586 is due in greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Outstanding Debt, at Year End

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds:		
Refunded elementary school renovation	\$ 1,240,000	\$ 1,445,000
Series 2011 A	10,649,288	10,649,288
Series 2011 B	9,898,056	10,217,873
Library improvement bonds	1,600,000	-
Loans payable:		
Energy conservation	20,706	75,677
Capital improvement loan	-	25,925
Capital improvement loan	248,974	274,996
Capital lease obligations	<u>106,130</u>	<u>160,623</u>
Total	<u>\$ 23,763,154</u>	<u>\$ 22,849,382</u>

In fiscal year 2012, the District issued general obligation bonds, Series 2011 A & Series 2011 B, providing for the District's share of the Ohio School Facilities Commission (OSFC) project. These general obligation bonds are scheduled to mature in fiscal year 2045 and bear a variable interest rate. Payment of principal and interest on the bonds are being made from the debt service fund.

In 1994, the District issued general obligation bonds, providing for the renovation of the District's elementary school. In 2004, the District refunded these general obligation bonds. These 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, 2015, the District's overall legal debt margin was \$9,196,587, with an unvoted debt margin of \$194,946, and an energy conservation debt margin of \$1,733,809.

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

Current Financial Related Activities

The City of Willard is in the midst of a rebuilding process which includes a new hospital, a new K-12 educational facility, Pepperidge Farms is putting up a \$90,000,000 addition, Star of the West, a flour mill, is opening a new facility in our district which creates approximately 20 jobs, RR Donnelly's is adding additional jobs, and there are several new retail businesses moving to the area. Willard has a rich tradition of educational excellence, outstanding performing arts, and strong athletic teams. The District is approximately ninety square miles in size and has an enrollment of 1,673 students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The District is continually striving for excellence. While the District is coming off a performance index of a "C" rating on the 2014-15 report card, we are expecting to have a similar rating on the 2015-16 report card, with a "C" rating. K-6 are going to be the targeted areas of concern and the district will be focusing on three areas: literacy, numeracy, and graduation rate. The primary focus of the 2015-2016 school year will be that of literacy. Jenni Smith, Curriculum Director, will implement the Ohio Improvement Process and look at the available data to set upcoming educational goals. The district will implement two grants, Oli4 and SPDG, which will align the curriculums for the entire district. The teachers and administrators are currently working together to formulate plans for their individual buildings, to improve upon their previous years report card. Over the next few years there will be an intensive focus on the Third Grade Guarantee, project based learning, and in technology. The administration continues to work on improving the Walk-Through Evaluation process, and in improving instruction. One of the areas for improvement will be in the implementation of Response To Intervention (RTI). RTI will be developed and implemented over the course of the next five years. The implementation of RTI will allow us to focus on two areas of concern which are students with disabilities and ESL students.

The District recorded an unencumbered fund balance of \$908,172 on June 30, 2015. Total cash basis revenue collected for fiscal year 2015 was \$16,484,441. Total cash basis expenditures for the district were \$15,846,673, which did not include transfer and advances. After several years of deficit spending, the District finally finished the year in the black in 2014 and has not deficit spent since. With the recent negotiations with our certified and classified unions, we have been able to save over \$240,000 a year in benefits due to a change in health insurance coverage. We continue to try to keep our operating costs as low as possible while still meeting the educational needs of our students. We are currently in the process of building a new K-12 school in conjunction with the Ohio Facilities Construction Commission which will opened in August, 2015.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Cyndi Shoup, Treasurer, 110 S. Myrtle Avenue, Willard, Ohio, 44890-0150.

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

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 19,408,238
Receivables:	
Property taxes	5,954,116
Income taxes.	490,680
Accounts.	27,003
Accrued interest	1,325
Intergovernmental	1,065,200
Prepayments	62,657
Materials and supplies inventory.	3,128
Capital assets:	
Nondepreciable capital assets	41,891,641
Depreciable capital assets, net.	2,622,513
Capital assets, net	44,514,154
Total assets.	71,526,501
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	52,059
Pension - STRS	1,225,956
Pension - SERS	284,900
Total deferred outflows of resources	1,562,915
Liabilities:	
Accounts payable.	267,162
Contracts payable.	2,460,867
Retainage payable	577,919
Accrued wages and benefits payable	1,780,668
Intergovernmental payable	197,432
Pension and postemployment obligation payable.	241,052
Accrued interest payable	435,398
Long-term liabilities:	
Due within one year.	961,491
Due in more than one year:	
Net pension liability.	20,271,895
Other amounts due in more than one year .	24,774,548
Total liabilities	51,968,432
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,397,325
Pension - STRS.	3,182,394
Pension - SERS.	498,289
Total deferred inflows of resources	8,078,008
Net position:	
Net investment in capital assets	27,235,685
Restricted for:	
Capital projects	6,449,558
Permanent endowment.	17,504
Classroom facilities maintenance	416,454
Debt service.	2,625,819
Locally funded programs	13,469
State funded programs.	20,334
Federally funded programs	169,712
Student activities	123,062
Other purposes	1,579
Unrestricted (deficit)	(24,030,200)
Total net position.	\$ 13,042,976

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, 2015

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 6,819,758	\$ 243,972	\$ 140,599	\$ 80,432	\$ (6,354,755)
Special	1,904,426	8,865	1,810,405	-	(85,156)
Vocational	238,297	-	43,259	-	(195,038)
Other	2,404,558	-	125,869	-	(2,278,689)
Support services:					
Pupil	672,104	-	5,171	-	(666,933)
Instructional staff	861,640	-	7,200	-	(854,440)
Board of education	447,897	-	-	-	(447,897)
Administration	1,917,828	-	93,982	-	(1,823,846)
Fiscal	436,556	-	2,573	-	(433,983)
Business	28,445	-	-	-	(28,445)
Operations and maintenance	1,179,881	3,849	7,924	-	(1,168,108)
Pupil transportation	1,053,269	7,720	3,214	-	(1,042,335)
Central	3,907	-	-	-	(3,907)
Operation of non-instructional services:					
Other non-instructional services	220,809	-	206,979	-	(13,830)
Food service operations	781,000	202,596	608,594	-	30,190
Extracurricular activities	579,564	176,551	55,597	-	(347,416)
Intergovernmental pass-thru	1,600,000	-	-	-	(1,600,000)
Interest and fiscal charges	1,128,650	-	-	-	(1,128,650)
Total governmental activities	\$ 22,278,589	\$ 643,553	\$ 3,111,366	\$ 80,432	(18,443,238)

General revenues:

Property taxes levied for:	
General purposes	5,128,481
Debt service	840,580
Classroom facilities maintenance	97,987
Income taxes levied for debt service	1,389,336
Grants and entitlements not restricted	
to specific programs	10,397,509
Investment earnings	20,487
Miscellaneous	128,259
Total general revenues	18,002,639
Change in net position	(440,599)
Net position at beginning of year (Restated)	13,483,575
Net position at end of year	\$ 13,042,976

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 1,662,945	\$ 2,797,558	\$ 13,854,342	\$ 1,093,393	\$ 19,408,238
Receivables:					
Property taxes.	5,100,974	853,142	-	-	5,954,116
Income taxes	-	490,680	-	-	490,680
Accounts	27,003	-	-	-	27,003
Accrued interest	7	601	712	5	1,325
Intergovernmental.	64,160	-	722,567	278,473	1,065,200
Prepayments.	61,528	-	1,129	-	62,657
Materials and supplies inventory.	3,128	-	-	-	3,128
Total assets	<u>6,919,745</u>	<u>4,141,981</u>	<u>14,578,750</u>	<u>1,371,871</u>	<u>27,012,347</u>
Liabilities:					
Accounts payable	217,281	-	-	49,881	267,162
Contracts payable.	-	-	2,460,867	-	2,460,867
Retainage payable.	-	-	577,919	-	577,919
Accrued wages and benefits payable	1,566,384	-	-	214,284	1,780,668
Compensated absences payable	23,057	-	-	-	23,057
Intergovernmental payable	181,429	7,360	-	8,643	197,432
Pension and postemployment obligation payable.	219,134	-	-	21,918	241,052
Total liabilities.	<u>2,207,285</u>	<u>7,360</u>	<u>3,038,786</u>	<u>294,726</u>	<u>5,548,157</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	3,767,080	630,245	-	-	4,397,325
Delinquent property tax revenue not available.	377,410	58,970	-	-	436,380
Income tax revenue not available	-	106,586	-	-	106,586
Intergovernmental revenue not available.	61,078	-	670,944	82,676	814,698
Total deferred inflows of resources	<u>4,205,568</u>	<u>795,801</u>	<u>670,944</u>	<u>82,676</u>	<u>5,754,989</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	3,128	-	-	-	3,128
Prepays.	61,528	-	1,129	-	62,657
Permanent fund	-	-	-	17,504	17,504
Restricted:					
Debt service	-	3,338,820	-	-	3,338,820
Capital improvements	-	-	10,867,891	327,228	11,195,119
Classroom facilities maintenance	-	-	-	416,454	416,454
Non-public schools	-	-	-	18,787	18,787
Special education	-	-	-	14,540	14,540
Other purposes.	-	-	-	124,280	124,280
Extracurricular.	-	-	-	123,062	123,062
Committed:					
Capital improvements	-	-	-	6,898	6,898
Assigned:					
Student instruction	56,024	-	-	-	56,024
Student and staff support.	375,855	-	-	-	375,855
School supplies.	10,357	-	-	-	10,357
Unassigned (deficit).	-	-	-	(54,284)	(54,284)
Total fund balances	<u>506,892</u>	<u>3,338,820</u>	<u>10,869,020</u>	<u>994,469</u>	<u>15,709,201</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,919,745</u>	<u>\$ 4,141,981</u>	<u>\$ 14,578,750</u>	<u>\$ 1,371,871</u>	<u>\$ 27,012,347</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental fund balances		\$	15,709,201
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			44,514,154
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	436,380	
Income taxes receivable		106,586	
Intergovernmental receivable		814,698	
Total		1,357,664	1,357,664
Unamortized premiums on bonds issued are not recognized in the funds.			(921,580)
Unamortized amounts on refundings are not recognized in the funds.			52,059
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(435,398)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		1,510,856	
Deferred Inflows - Pension		(3,680,683)	
Net pension liability		(20,271,895)	
Total		(22,441,722)	(22,441,722)
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		(23,387,344)	
Capital lease obligations		(106,130)	
Loans payable		(269,680)	
Compensated absences		(1,028,248)	
Total		(24,791,402)	(24,791,402)
Net position of governmental activities		\$	13,042,976

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, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 5,249,776	\$ 853,556	\$ -	\$ 97,987	\$ 6,201,319
Income taxes	-	1,390,013	-	-	1,390,013
Tuition	198,908	-	-	-	198,908
Transportation fees	7,720	-	-	-	7,720
Earnings on investments	19,297	1,190	24,127	47	44,661
Charges for services	-	-	-	202,596	202,596
Extracurricular	31,352	-	-	176,601	207,953
Classroom materials and fees	20,717	-	-	-	20,717
Rental income	3,849	-	-	-	3,849
Contributions and donations	52	-	-	90,796	90,848
Contract services	1,810	-	-	-	1,810
Other local revenues	128,207	-	-	41,508	169,715
Intergovernmental - intermediate	472	-	-	23,920	24,392
Intergovernmental - state	11,006,682	129,650	9,397,195	204,896	20,738,423
Intergovernmental - federal	31,951	-	-	2,122,112	2,154,063
Total revenues	<u>16,700,793</u>	<u>2,374,409</u>	<u>9,421,322</u>	<u>2,960,463</u>	<u>31,456,987</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,085,602	-	-	160,750	6,246,352
Special	852,235	-	-	1,055,625	1,907,860
Vocational	207,926	-	-	-	207,926
Other	2,307,782	-	-	125,433	2,433,215
Support services:					
Pupil	664,458	-	-	5,488	669,946
Instructional staff	800,956	-	-	7,200	808,156
Board of education	429,002	-	-	18,350	447,352
Administration	1,679,533	2,331	-	94,831	1,776,695
Fiscal	395,813	40,544	-	2,400	438,757
Business	28,445	-	-	-	28,445
Operations and maintenance	1,140,341	-	-	17,396	1,157,737
Pupil transportation	784,038	-	-	3,411	787,449
Central	3,907	-	-	-	3,907
Operation of non-instructional services:					
Other non-instructional services	-	-	-	219,058	219,058
Food service operations	-	-	-	823,322	823,322
Extracurricular activities	353,798	-	-	244,164	597,962
Intergovernmental pass-thru	-	-	-	1,600,000	1,600,000
Facilities acquisition and construction	-	-	15,817,671	55,799	15,873,470
Debt service:					
Principal retirement	67,340	660,000	-	94,071	821,411
Interest and fiscal charges	8,771	996,256	-	19,105	1,024,132
Total expenditures	<u>15,809,947</u>	<u>1,699,131</u>	<u>15,817,671</u>	<u>4,546,403</u>	<u>37,873,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>890,846</u>	<u>675,278</u>	<u>(6,396,349)</u>	<u>(1,585,940)</u>	<u>(6,416,165)</u>
Other financing sources (uses):					
Sale of bonds	-	-	-	1,600,000	1,600,000
Sale of assets	132,028	-	-	-	132,028
Transfers in	-	-	-	95,605	95,605
Transfers (out)	(95,605)	-	-	-	(95,605)
Total other financing sources (uses)	<u>36,423</u>	<u>-</u>	<u>-</u>	<u>1,695,605</u>	<u>1,732,028</u>
Net change in fund balances	927,269	675,278	(6,396,349)	109,665	(4,684,137)
Fund balances at beginning of year	<u>(420,377)</u>	<u>2,663,542</u>	<u>17,265,369</u>	<u>884,804</u>	<u>20,393,338</u>
Fund balances at end of year	<u>\$ 506,892</u>	<u>\$ 3,338,820</u>	<u>\$ 10,869,020</u>	<u>\$ 994,469</u>	<u>\$ 15,709,201</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, 2015

Net change in fund balances - total governmental funds	\$	(4,684,137)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 16,009,451	
Current year depreciation	(464,515)	
Total		15,544,936
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(1,170,080)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(134,271)	
Income taxes	(677)	
Earnings on investments	(13,933)	
Intergovernmental	(9,473,519)	
Total		(9,622,400)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	660,000	
Loans	106,918	
Capital leases	54,493	
Total		821,411
Issuance of bonds are recorded as other financing source in the funds; however, in the statement of activities, they are not reported as an other financing source as they increases liabilities on the statement of net position.		
		(1,600,000)
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:		
Increase in accrued interest payable	(5,595)	
Accreted interest on capital appreciation bonds	(135,183)	
Amortization of bond premiums	50,142	
Amortization of deferred charges	(13,882)	
Total		(104,518)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,319,122
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(921,152)
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.		
		(23,781)
Change in net position of governmental activities	\$	(440,599)

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, 2015

	<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	\$ 7,578,154	\$ 5,055,621	\$ 4,957,838	\$ (97,783)
Tuition.	147,596	199,175	198,909	(266)
Transportation fees.	5,728	7,800	7,720	(80)
Earnings on investments	14,320	19,374	19,299	(75)
Classroom materials and fees	4,900	6,625	6,604	(21)
Rental income	2,856	3,900	3,849	(51)
Contract services.	1,343	1,825	1,810	(15)
Other local revenues	96,466	130,042	130,004	(38)
Intergovernmental - intermediate	350	472	472	0
Intergovernmental - state	8,167,239	11,006,242	11,006,683	441
Intergovernmental - federal	31,809	42,897	42,868	(29)
Total revenues	<u>16,050,762</u>	<u>16,473,973</u>	<u>16,376,056</u>	<u>(97,917)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,328,613	6,328,613	6,253,490	75,123
Special.	869,697	869,697	869,415	282
Vocational.	213,080	213,080	212,779	301
Other.	2,366,758	2,366,758	2,358,200	8,558
Support services:				
Pupil.	727,005	727,005	726,686	319
Instructional staff	721,055	721,055	720,666	389
Board of education	475,322	475,322	475,249	73
Administration.	1,765,036	1,765,036	1,764,030	1,006
Fiscal	414,225	414,225	412,435	1,790
Business	119,973	119,973	119,951	22
Operations and maintenance.	1,425,632	1,425,632	1,424,205	1,427
Pupil transportation	846,082	846,082	845,710	372
Central.	6,914	6,914	6,906	8
Extracurricular activities.	359,334	359,334	358,636	698
Debt service:				
Principal	12,868	12,868	12,847	21
Total expenditures	<u>16,651,594</u>	<u>16,651,594</u>	<u>16,561,205</u>	<u>90,389</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(600,832)</u>	<u>(177,621)</u>	<u>(185,149)</u>	<u>(7,528)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	215,338	290,185	290,203	18
Transfers (out).	(204,608)	(204,608)	(106,605)	98,003
Advances in.	154,900	208,740	208,753	13
Advances (out)	(204,200)	(204,200)	(190,900)	13,300
Sale of capital assets	77,999	105,214	105,117	(97)
Total other financing sources (uses)	<u>39,430</u>	<u>195,331</u>	<u>306,568</u>	<u>111,237</u>
Net change in fund balance	(561,402)	17,710	121,419	103,709
Fund balance at beginning of year	226,353	226,353	226,353	-
Prior year encumbrances appropriated	560,402	560,402	560,402	-
Fund balance at end of year	\$ 225,353	\$ 804,465	\$ 908,174	\$ 103,709

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 19,149
Total assets.	<u>\$ 19,149</u>
Liabilities:	
Intergovernmental payable	\$ 130
Due to students.	<u>19,019</u>
Total liabilities	<u>\$ 19,149</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 staffed by 68 non-certified employees and 120 certified full-time teaching personnel, who provide services to 1,674 students and other community members. The District currently operates one instructional building and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 2015, the District paid \$231,631 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

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

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

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

North Point Purchasing Cooperative

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group II Rating Plan

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. Refer to Note 13.C. for further information on this group rating plan.

Huron-Erie School Employees Insurance Association

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

RELATED ORGANIZATION

Huron County Community Library

The Huron County Community 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 Huron County Community Library, Adam Searl, Fiscal Officer, at 6 West Emerald Street, Willard, Ohio 44890.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

GOVERNMENTAL FUNDS

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

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

Classroom facilities - The classroom facilities fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond 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.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related to the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, income taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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, 2015

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. Budgetary Process

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the 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 July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances 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, 2015

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 budgetary control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$19,297, which includes \$15,568 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, 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, 2015 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.

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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.

L. Fund Balance

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

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

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

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, 2015

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

R. Nonpublic Schools

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

T. Interfund Balances

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented following the notes to the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 36,323,267
Deferred outflows - payments subsequent to measurement date	1,258,384
Net pension liability	(24,098,076)
Restated net position at July 1, 2014	\$ 13,483,575

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 30,042
Public school preschool	3,111
Title III	269
Title I	8,635
Improving teacher quality	12,227

The general fund is liable for any deficit 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$6,825,752. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$6,690,422 of the District’s bank balance of \$6,940,422 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

C. Investments

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
Star Ohio	12,598,060	12,598,060
Total	<u>\$ 12,598,060</u>	<u>\$ 12,598,060</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Star Ohio	12,598,060	100.00
Total	<u>\$ 12,598,060</u>	<u>100.00</u>

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

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,825,752
Investments	12,598,060
Cash on hand	<u>3,575</u>
Total	<u>\$ 19,427,387</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 19,408,238
Agency funds	<u>19,149</u>
Total	<u>\$ 19,427,387</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General	\$ 95,605

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. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$956,484 in the general fund and \$163,927 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$664,545 in the general fund and \$93,504 in the bond retirement 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, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 187,026,690	96.43	\$ 187,919,470	96.40
Public utility personal	<u>6,924,250</u>	<u>3.57</u>	<u>7,026,690</u>	<u>3.60</u>
Total	<u>\$ 193,950,940</u>	<u>100.00</u>	<u>\$ 194,946,160</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$50.30		\$51.05	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 5,954,116
Income taxes	490,680
Accounts	27,003
Accrued interest	1,325
Intergovernmental	<u>1,065,200</u>
Total	<u>\$ 7,538,324</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio Facilities Construction Commission intergovernmental receivable of \$722,567, which will be collected over the duration of the construction project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - INCOME TAX

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/15</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,448	\$ -	\$ -	\$ 174,448
Construction in progress	<u>25,825,373</u>	<u>15,891,820</u>	<u>-</u>	<u>41,717,193</u>
Total capital assets, not being depreciated	<u>25,999,821</u>	<u>15,891,820</u>	<u>-</u>	<u>41,891,641</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	593,929	-	(37,946)	555,983
Buildings and improvements	9,690,703	11,820	(4,275,466)	5,427,057
Furniture and equipment	2,044,870	29,372	(443,310)	1,630,932
Vehicles	<u>1,251,919</u>	<u>76,439</u>	<u>(61,190)</u>	<u>1,267,168</u>
Total capital assets, being depreciated	<u>13,581,421</u>	<u>117,631</u>	<u>(4,817,912)</u>	<u>8,881,140</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(250,922)	(25,702)	34,347	(242,277)
Buildings and improvements	(7,210,950)	(246,460)	3,188,829	(4,268,581)
Furniture and equipment	(1,081,997)	(103,554)	366,589	(818,962)
Vehicles	<u>(898,075)</u>	<u>(88,799)</u>	<u>58,067</u>	<u>(928,807)</u>
Total accumulated depreciation	<u>(9,441,944)</u>	<u>(464,515)</u>	<u>3,647,832</u>	<u>(6,258,627)</u>
Governmental activities capital assets, net	<u>\$ 30,139,298</u>	<u>\$ 15,544,936</u>	<u>\$ (1,170,080)</u>	<u>\$ 44,514,154</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 255,799
Special	10,633
Vocational	10,521
<u>Support services:</u>	
Pupil	5,503
Instructional staff	19,212
Board of education	250
Administration	52,379
Operations and maintenance	12,955
Pupil transportation	87,044
Operation of non-instructional services	1,655
Extracurricular activities	5,647
Food service operations	<u>2,917</u>
Total depreciation expense	<u>\$ 464,515</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In previous years the District entered into capital lease agreements for the acquisition of copiers. These leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$275,073, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2015 was \$135,409, leaving a current book value of \$139,664. A corresponding liability was recorded in the statement of net position. Principal payments in the 2015 fiscal year totaled \$54,493. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liability on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - 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, 2015:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 47,843
2017	32,424
2018	32,424
2019	<u>2,702</u>
Total minimum lease payment	115,393
Less: amount representing interest	<u>(9,263)</u>
Present value of minimum lease payments	<u><u>\$ 106,130</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS

A. The long-term obligations were restated as described in Note 3.A. During the fiscal year 2015, the following changes occurred in governmental activities long-term obligations:

	Issued	Due	Interest Rate	Restated Balance 07/01/14	Increase	Decrease	Balance 06/30/15	Amount Due in One Year
<u>G.O. Bonds Payable</u>								
School improvement refunding	2004	2020	Variable	\$ 1,445,000	\$ -	\$ (205,000)	\$ 1,240,000	\$ 220,000
Library improvement bonds	2015	2030	4.00%	-	1,600,000	-	1,600,000	80,000
Series 2011 A	2012	2044	Variable					
Current interest				10,410,000	-	-	10,410,000	-
Capital appreciation				55,772	-	(18,385)	37,387	12,054
Accreted interest				183,516	80,000	(61,615)	201,901	67,946
Series 2011 B	2012	2044	Variable					
Current interest				10,075,000	-	(375,000)	9,700,000	405,000
Capital appreciation				63,384	-	-	63,384	-
Accreted interest				79,489	55,183	-	134,672	-
Total G.O. bonds				<u>22,312,161</u>	<u>1,735,183</u>	<u>(660,000)</u>	<u>23,387,344</u>	<u>785,000</u>
<u>Loans Payable</u>								
Energy conservation	2001	2016	5.85%	75,677	-	(54,971)	20,706	20,706
Capital improvement	2011	2015	4.00%	25,925	-	(25,925)	-	-
Capital improvement	2013	2023	4.00%	274,996	-	(26,022)	248,974	27,082
Total loans payable				<u>376,598</u>	<u>-</u>	<u>(106,918)</u>	<u>269,680</u>	<u>47,788</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				160,623	-	(54,493)	106,130	42,780
Net pension liability				24,098,076	-	(3,826,181)	20,271,895	-
Compensated absences				1,011,729	105,471	(65,895)	1,051,305	85,923
Total other long-term obligations				<u>25,270,428</u>	<u>105,471</u>	<u>(3,946,569)</u>	<u>21,429,330</u>	<u>128,703</u>
Total governmental activities				<u>\$ 47,959,187</u>	<u>\$ 1,840,654</u>	<u>\$ (4,713,487)</u>	45,086,354	<u>\$ 961,491</u>
Add: unamortized premium on bonds							921,580	
Total on statement of net position							<u>\$ 46,007,934</u>	

School Facilities Construction and Improvement Bonds - Series 2011A and 2011B: On July 6, 2011, the District issued Series 2011A current interest bonds, par value \$10,415,000, Series 2011A capital appreciation bonds, par value \$83,813, Series 2011B current interest bonds, par value \$10,435,000, and Series 2011B capital appreciation bonds, par value \$63,384, to finance building construction and improvements. The interest rates on the current interest bonds range from 2.0% to 5.0%. The capital appreciation bonds mature between January 15, 2014 and January 15, 2021 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the outstanding capital appreciation bonds is \$1,760,000. Total accreted interest of \$336,573 has been included in the statement of net position at June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

<u>Fiscal Year</u>	<u>Sinking Fund Required Deposit</u>
2026	\$ 740,000
2028	810,000
2029	585,000
2030	920,000
2032	1,055,000
2033	1,115,000
2034	1,175,000
2036	515,000
2037	545,000
2038	630,000
2039	665,000
2040	700,000
2042	815,000
2043	<u>860,000</u>
Total	<u>\$11,130,000</u>

Library Improvement Bonds Series 2015: On March 19, 2015, the District issued \$1,600,000 in Library Improvement Bonds. The proceeds of these bonds were for the Huron County Community Library (“the Library”) for the purpose of expanding, renovating and improving library facilities. The improvements are owned by the Library. The bonds are tax-exempt general obligation bonds. The payments are semi-annual on June 1 and December 1 at a 4 percent interest rate. Payments of principal and interest relating to this bond will be recorded as an expenditure in the bond retirement fund.

Compensated absences will be paid from the fund from which the employee is paid (which is primarily the general 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.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The capital improvement loans are being retired from the building fund (a nonmajor governmental fund) and the general fund. The general fund periodically transfers funds to the building fund (a nonmajor governmental fund) to provide adequate resources to make principal and interest payments.

The capital lease obligation is being paid from the general fund (See Note 10).

See Note 14 for details on the net pension liability.

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	Current Interest			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 705,000	\$ 1,042,944	\$ 1,747,944	\$ 12,054	\$ 67,946	\$ 80,000
2017	755,000	1,017,963	1,772,963	9,385	85,615	95,000
2018	780,000	989,369	1,769,369	6,153	88,847	95,000
2019	620,000	958,756	1,578,756	20,069	259,931	280,000
2020	385,000	931,475	1,316,475	30,989	534,011	565,000
2021 - 2025	3,025,000	4,409,842	7,434,842	22,121	542,879	565,000
2026 - 2030	4,645,000	3,607,626	8,252,626	-	-	-
2031 - 2035	5,565,000	2,483,450	8,048,450	-	-	-
2036 - 2040	3,055,000	1,336,500	4,391,500	-	-	-
2041 - 2045	3,415,000	443,000	3,858,000	-	-	-
Total	<u>\$ 22,950,000</u>	<u>\$ 17,220,925</u>	<u>\$ 40,170,925</u>	<u>\$ 100,771</u>	<u>\$ 1,579,229</u>	<u>\$ 1,680,000</u>

Fiscal Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2016	\$ 47,788	\$ 9,878	\$ 57,666
2017	28,186	8,363	36,549
2018	29,334	7,214	36,548
2019	30,529	6,019	36,548
2020	31,773	4,775	36,548
2021 - 2024	102,070	6,347	108,417
Total	<u>\$ 269,680</u>	<u>\$ 42,596</u>	<u>\$ 312,276</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2015, are a voted debt margin of \$9,196,587 (including available funds of \$3,338,820), an unvoted debt margin of \$194,946 and an unvoted energy conservation debt margin of \$1,733,809.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, 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	\$36,280,539
Inland Marine Coverage	500	included
Athletic Equipment		50,000
Camera and Audio Video		50,000
Fine Arts		50,000
Signs		10,000
Dwelling-Vocational	500	100,000
Musical Instruments, Band and Choir Equipment	500	223,500
School Band and Choir Uniforms		50,000
General Liability	N/A	1,000,000/2,000,000
Employers Stop Gap Liability	N/A	1,000,000/2,000,000
School Professional Errors and Omissions Liability	10,000	1,000,000/1,000,000 aggregate
Sexual Misconduct Liability	N/A	1,000,000/1,000,000
Employee Benefits Liability	1,000	1,000,000/3,000,000 aggregate
Excess Umbrella Liability	10,000 (retention)	5,000,000
Automobile Liability	N/A	1,000,000
Uninsured Motorists Bodily Injury Liability	N/A	1,000,000
Auto Comprehensive	1,000	per stated vehicle
Auto Collision	1,000	per stated vehicle
Equipment Breakdown		250,000/included
Hazardous Substances		250,000
CFC Refrigerants		100,000/included
Public Employee Dishonesty	1,000	10,000
Underinsured Motorist	N/A	1,000,000
Law Enforcement Professional Liability	2,500	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The building and contents insurance was lowered from \$48,972,536 in fiscal year 2014 to \$36,280,539 in fiscal year 2015; there have been no other significant reductions in insurance coverage from fiscal year 2014.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - RISK MANAGEMENT - (Continued)

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 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$258,770 for fiscal year 2015. Of this amount \$1,560 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,060,352 for fiscal year 2015. Of this amount, \$176,808 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,070,120	\$ 17,201,775	\$ 20,271,895
Proportion of the net pension liability	0.06066300%	0.07072092%	
Pension expense	\$ 181,628	\$ 739,524	\$ 921,152

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 26,130	\$ 165,604	\$ 191,734
District contributions subsequent to the measurement date	<u>258,770</u>	<u>1,060,352</u>	<u>1,319,122</u>
Total deferred outflows of resources	<u>\$ 284,900</u>	<u>\$ 1,225,956</u>	<u>\$ 1,510,856</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 498,289</u>	<u>\$ 3,182,394</u>	<u>\$ 3,680,683</u>

\$1,319,122 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (118,039)	\$ (754,198)	\$ (872,237)
2017	(118,039)	(754,198)	(872,237)
2018	(118,039)	(754,198)	(872,237)
2019	<u>(118,042)</u>	<u>(754,196)</u>	<u>(872,238)</u>
Total	<u>\$ (472,159)</u>	<u>\$ (3,016,790)</u>	<u>\$ (3,488,949)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 4,380,149	\$ 3,070,120	\$ 1,968,272

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 24,626,217	\$ 17,201,775	\$ 10,923,196

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$32,736.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$46,107, \$35,871, and \$35,272, respectively. For fiscal year 2015, 99.40 percent has been contributed, with the balance being reported as pension and postemployment obligation payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$75,255, and \$81,088 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 121,419
Net adjustment for revenue accruals	279,302
Net adjustment for expenditure accruals	76,809
Net adjustment for other sources/uses	(270,145)
Funds budgeted elsewhere	5,356
Adjustment for encumbrances	714,528
GAAP basis	\$ 927,269

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 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2012, the District issued \$20,850,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$20,733,543 at June 30, 2015.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	282,485
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(331,365)
Excess qualified expenditures from prior years	-
Current year offsets	(70,000)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (118,880)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 561,220
Classroom facilities	4,655,035
Other governmental	<u>314,529</u>
Total	<u>\$ 5,530,784</u>

NOTE 20 - CONTRACTUAL COMMITMENTS

On June 30, 2015, the District had the following contractual commitments outstanding related to the building construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2015</u>	<u>Remaining Contract Amount</u>
Adena	\$ 23,792,343	\$ 20,691,743	\$ 3,100,600
Guenther	5,650,995	5,384,390	266,605
MKC	2,784,905	2,639,320	145,585
Southeast Security	1,902,319	1,285,239	617,080
Vaughn	4,914,298	4,617,676	296,622
Riestschlin Construction	426,443	358,792	67,651
Tom Sexton and Associates	416,779	-	416,779
Vulcan	<u>392,414</u>	<u>336,624</u>	<u>55,790</u>
Total	<u>\$ 40,280,496</u>	<u>\$ 35,313,784</u>	<u>\$ 4,966,712</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.06066300%	0.06066300%
District's proportionate share of the net pension liability	\$ 3,070,120	\$ 3,607,434
District's covered-employee payroll	\$ 1,780,541	\$ 1,791,142
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.43%	201.40%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.07072092%	0.07072092%
District's proportionate share of the net pension liability	\$ 17,201,775	\$ 20,490,642
District's covered-employee payroll	\$ 7,781,546	\$ 8,108,815
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.06%	252.70%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 258,770	\$ 246,783	\$ 247,894	\$ 277,465	\$ 259,770
Contributions in relation to the contractually required contribution	<u>(258,770)</u>	<u>(246,783)</u>	<u>(247,894)</u>	<u>(277,465)</u>	<u>(259,770)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 1,963,354	\$ 1,780,541	\$ 1,791,142	\$ 2,062,937	\$ 2,066,587
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 290,185	\$ 205,094	\$ 202,065	\$ 213,163	\$ 211,378
<u>(290,185)</u>	<u>(205,094)</u>	<u>(202,065)</u>	<u>(213,163)</u>	<u>(211,378)</u>
<u>\$ -</u>				
\$ 2,143,168	\$ 2,084,289	\$ 2,057,688	\$ 1,995,908	\$ 1,997,902
13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,060,352	\$ 1,011,601	\$ 1,054,146	\$ 1,118,573	\$ 1,096,264
Contributions in relation to the contractually required contribution	<u>(1,060,352)</u>	<u>(1,011,601)</u>	<u>(1,054,146)</u>	<u>(1,118,573)</u>	<u>(1,096,264)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 7,573,943	\$ 7,781,546	\$ 8,108,815	\$ 8,604,408	\$ 8,432,800
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,149,852	\$ 1,134,302	\$ 1,115,841	\$ 1,110,075	\$ 1,095,194
<u>(1,149,852)</u>	<u>(1,134,302)</u>	<u>(1,115,841)</u>	<u>(1,110,075)</u>	<u>(1,095,194)</u>
<u>\$ -</u>				
\$ 8,845,015	\$ 8,725,400	\$ 8,583,392	\$ 8,539,038	\$ 8,424,569
13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**WILLARD CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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:				
(C)(D) School Breakfast Program	10.553	2015	\$ 87,653	\$ 87,653
(C)(D) National School Lunch Program	10.555	2015	453,215	453,215
(D)(E) National School Lunch Program - Food Donation	10.555	2015	52,981	52,981
Total National School Lunch Program			<u>506,196</u>	<u>506,196</u>
(C)(D) Special Milk Program for Childrer	10.556	2015	1,033	1,033
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>594,882</u>	<u>594,882</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2014	103,376	149,983
Title I Grants to Local Educational Agencies	84.010	2015	432,664	418,432
Total Title I Grants to Local Educational Agencies			<u>536,040</u>	<u>568,415</u>
(G) Migrant Education_State Grant Program	84.011	2014	68,084	107,197
(G) Migrant Education_State Grant Program	84.011	2015	130,131	88,057
Total Migrant Education_State Grant Program			<u>198,215</u>	<u>195,254</u>
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2014	52,049	75,975
(F) Special Education_Grants to States	84.027	2015	315,308	305,752
Total Special Education_Grants to States			<u>367,357</u>	<u>381,727</u>
(F) Special Education_Preschool Grants	84.173	2015	15,282	15,282
Total Special Education Grant Cluster			<u>382,639</u>	<u>397,009</u>
Rural Education	84.358	2014	709	6,839
Rural Education	84.358	2015	28,667	24,858
Total Rural Education			<u>29,376</u>	<u>31,697</u>
English Language Acquisition State Grants	84.365	2014	3,233	3,967
English Language Acquisition State Grants	84.365	2015	36,720	36,215
Total English Language Acquisition State Grants			<u>39,953</u>	<u>40,182</u>
(G) Improving Teacher Quality State Grants	84.367	2014	2,720	15,744
(G) Improving Teacher Quality State Grants	84.367	2015	95,975	95,128
Total Improving Teacher Quality State Grants			<u>98,695</u>	<u>110,872</u>
(G) ARRA - Race to the Top, Recovery Act	84.395A	2014	(16,741)	-
(G) ARRA - Race to the Top, Recovery Act	84.395A	2015	75,830	71,133
Total ARRA - Race to the Top, Recovery Act			<u>59,089</u>	<u>71,133</u>
Total U.S. Department of Education			<u>1,344,007</u>	<u>1,414,562</u>
Total Federal Financial Assistance			<u>\$ 1,938,889</u>	<u>\$ 2,009,444</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Special Education Grant Cluster" when determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2015, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Improving Teacher Quality State Grants	84.367	2014	\$ 547	
Improving Teacher Quality State Grants	84.367	2015		\$ 547
SFSF - Race to the Top, Recovery Act	84.395A	2014	16,741	
SFSF - Race to the Top, Recovery Act	84.395A	2015		16,741
Migrant Education_State Grant Program	84.011	2014	49,702	
Migrant Education_State Grant Program	84.011	2015		49,702
Totals			<u>\$ 66,990</u>	<u>\$ 66,990</u>



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Willard City School District's basic financial statements and have issued our report thereon dated December 10, 2015, wherein we noted as discussed in Note 3, the Willard City School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Willard City School District's Response to Finding

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

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Julian & Grube, Inc.
December 10, 2015



Julian & Grube, Inc.

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Willard City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Willard City School District's major federal programs for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and responses identifies the Willard City School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Willard City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Julian & Grube, Inc.
December 10, 2015

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<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>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education_Grants to States (CFDA #84.027) and Special Education_Preschool Grants (CFDA #84.173); Title I Grants to Local Educational Agencies (CFDA #84.010); Improving Teacher Quality State Grants (CFDA #84.367)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Material Weakness - Financial Statement Presentation

The presentation of materially correct financial statements and the related footnotes is the responsibility of management and is an important part of the District's overall purpose. Financial reporting requires internal controls to help ensure the accuracy of the activity reported.

The District had contracts payable that was understated by \$821,767 that relates to the District's Ohio School Facilities Commission project. It was necessary to record an audit adjustment to increase contracts payable and facilities acquisition and construction expenditures for the Classroom Facilities fund on the balance sheet and statement of revenues, expenditures and changes in fund balances, respectively. It was also necessary to increase non-depreciable capital assets - construction in progress and contracts payable on the statement of net position.

Proper recording and disclosure of capital assets and contracts payable are important elements of the District's financial statements and related notes, as potential users may rely on this information to make decisions that could have an impact on the District. The audited financial statements and the District's records have been adjusted for these misstatements.

We recommend the District consider additional control procedures to help ensure the accuracy of its financial statements.

Client Response: The Classroom Facilities project is very complex accounting. The District acknowledges that it missed a contracts payable and will take better care to report all contracts payable in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2014-001	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The District had 42.85% of examined expenditures that were not certified in a timely manner.	Partially Corrected	Re-issued as a Management Letter comment
2014-002	<u>Noncompliance/Significant Deficiency - Cash Management</u> - Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR 80.21). To receive approval consideration, cash requests must be made <i>for immediate needs for the month requested</i> . Ohio Department of Education Project Cash Request instructions state payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 CFR part 205, the time lapsed between the receipt and disbursement of funds must be minimized. The District did not timely spend receipts on three instances.	Yes	N/A

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Dave Yost • Auditor of State

WILLARD CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2016**