

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

CYNDI SHOUP, TREASURER



Dave Yost • Auditor of State

Board of Education
Willard City School District
110 S. Myrtle Ave
Willard, OH 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, 2015 through June 30, 2016. 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.

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Dave Yost
Auditor of State

March 7, 2017

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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, 2016, 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.

Independent Auditor's Report

Page Two

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, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of the Willard City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Willard City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 28, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities decreased \$6,087,822 which represents a 46.68% decrease from 2015.
- General revenues accounted for \$17,082,948 in revenue or 81.92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,771,317 or 18.08% of total revenues of \$20,854,265.
- The District had \$26,942,087 in expenses related to governmental activities; only \$3,771,317 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 \$17,082,948 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 \$16,570,122 in revenues and other financing sources and \$16,507,546 in expenditures and other financing uses. During fiscal 2016, the general fund's fund balance increased \$62,576 from a balance of \$506,892 to \$569,468.
- The bond retirement fund had \$2,229,334 in revenues and \$1,877,750 in expenditures. During fiscal 2016, the bond retirement fund's fund balance increased \$351,584 from a balance of \$3,338,820 to a balance of \$3,690,404.
- The classroom facilities fund had \$92,850 in revenues and \$5,586,629 in expenditures. During fiscal 2016, the classroom facilities fund's fund balance decreased \$5,493,779 from a balance of \$10,869,020 to a balance of \$5,375,241.

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, 2016**

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 2016?" 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 16-17 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 11. 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, the 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* that 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 18-22 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 23. 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 24-63 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 64-70 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 18,468,841	\$ 27,012,347
Capital assets, net	<u>43,509,737</u>	<u>44,514,154</u>
Total assets	<u>61,978,578</u>	<u>71,526,501</u>
<u>Deferred outflows of resources</u>	<u>2,724,944</u>	<u>1,562,915</u>
<u>Liabilities</u>		
Current liabilities	2,944,631	5,960,498
Long-term liabilities:		
Due within one year	978,989	961,491
Due in more than one year:		
Net pension liability	3,176,502	20,271,895
Other amounts	<u>44,301,433</u>	<u>24,774,548</u>
Total liabilities	<u>51,401,555</u>	<u>51,968,432</u>
<u>Deferred inflows of resources</u>	<u>6,346,813</u>	<u>8,078,008</u>
<u>Net Position</u>		
Investment in capital assets	21,143,427	27,235,685
Restricted	9,357,646	9,837,491
Unrestricted (deficit)	<u>(23,545,919)</u>	<u>(24,030,200)</u>
Total net position	<u>\$ 6,955,154</u>	<u>\$ 13,042,976</u>

During a prior fiscal year, 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 pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

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.

Net position decreased \$6,087,822 or 46.68%, from a balance of \$13,042,976 to \$6,955,154.

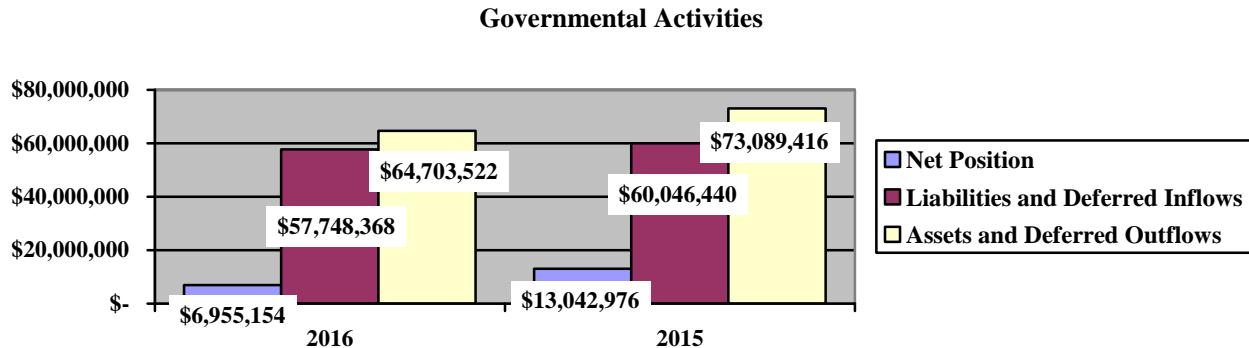
At year-end, capital assets represented 70.20% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets was \$21,143,427. These capital assets are used to provide services to the students and are 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

A portion of the District's net position, \$9,357,646, 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 \$23,545,919.

The graph below shows the District's assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2016 and 2015:



The table below shows the change in net position for fiscal years 2016 and 2015.

	Change in Net Position	
	Governmental Activities 2016	Governmental Activities 2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 577,858	\$ 643,553
Operating grants and contributions	3,142,769	3,111,366
Capital grants and contributions	50,690	80,432
General revenues:		
Property taxes	5,671,235	6,067,048
Income taxes	1,304,963	1,389,336
Grants and entitlements	9,927,155	10,397,509
Investment earnings	1,467	20,487
Other	178,128	128,259
Total revenues	20,854,265	21,837,990

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change in Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	8,931,573	6,819,758
Special	2,175,499	1,904,426
Vocational	266,683	238,297
Other	2,391,991	2,404,558
Support services:		
Pupil	768,908	672,104
Instructional staff	812,678	861,640
Board of education	518,316	447,897
Administration	2,069,814	1,917,828
Fiscal	481,765	436,556
Business	25,812	28,445
Operations and maintenance	4,647,339	1,179,881
Pupil transportation	988,586	1,053,269
Central	2,863	3,907
Operations of non-instructional services:		
Other non-instructional services	217,243	220,809
Food service operations	876,062	781,000
Extracurricular activities	590,435	579,564
Intergovernmental pass-thru	-	1,600,000
Interest and fiscal charges	<u>1,176,520</u>	<u>1,128,650</u>
Total expenses	<u>26,942,087</u>	<u>22,278,589</u>
Change in net position	(6,087,822)	(440,599)
Net position at beginning of year	<u>13,042,976</u>	<u>13,483,575</u>
Net position at end of year	<u>\$ 6,955,154</u>	<u>\$ 13,042,976</u>

Governmental Activities

Net position of the District's governmental activities decreased \$6,087,822. Total governmental expenses of \$26,942,087 were offset by program revenues of \$3,771,317 and general revenues of \$17,082,948. Program revenues supported 14.00% of the total governmental expenses.

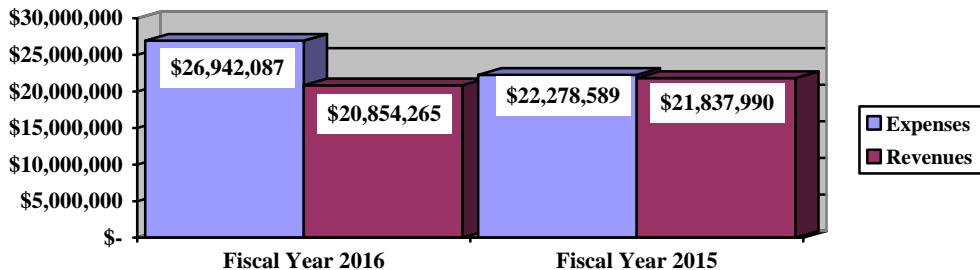
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 81.05% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	\$ 8,931,573	\$ 8,596,410	\$ 6,819,758	\$ 6,354,755
Special	2,175,499	280,085	1,904,426	85,156
Vocational	266,683	196,531	238,297	195,038
Other	2,391,991	2,280,951	2,404,558	2,278,689
Support services:				
Pupil	768,908	757,111	672,104	666,933
Instructional staff	812,678	807,278	861,640	854,440
Board of education	518,316	518,316	447,897	447,897
Administration	2,069,814	2,051,751	1,917,828	1,823,846
Fiscal	481,765	474,188	436,556	433,983
Business	25,812	25,812	28,445	28,445
Operations and maintenance	4,647,339	4,642,772	1,179,881	1,168,108
Pupil transportation	988,586	975,054	1,053,269	1,042,335
Central	2,863	2,863	3,907	3,907
Operations of non-instructional services				
Other non-instructional services	217,243	(7,754)	220,809	13,830
Food service operations	876,062	21,020	781,000	(30,190)
Extracurricular activities	590,435	371,862	579,564	347,416
Intergovernmental pass-thru	-	-	1,600,000	1,600,000
Interest and fiscal charges	1,176,520	1,176,520	1,128,650	1,128,650
Total expenses	<u>\$ 26,942,087</u>	<u>\$ 23,170,770</u>	<u>\$ 22,278,589</u>	<u>\$ 18,443,238</u>

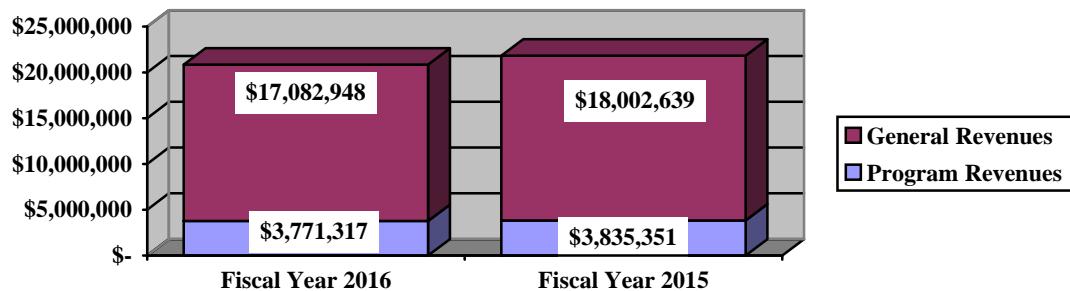
**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The dependence upon tax and other general revenues for governmental activities is apparent, as 82.48% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.00%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$10,248,548, which is \$5,460,653 less than last year's total of \$15,709,201. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance June 30, 2016</u>	<u>Fund Balance June 30, 2015</u>	<u>Increase / (Decrease)</u>
General	\$ 569,468	\$ 506,892	\$ 62,576
Bond retirement	3,690,404	3,338,820	351,584
Classroom facilities	5,375,241	10,869,020	(5,493,779)
Other governmental	<u>613,435</u>	<u>994,469</u>	<u>(381,034)</u>
Total	<u>\$ 10,248,548</u>	<u>\$ 15,709,201</u>	<u>\$ (5,460,653)</u>

General Fund

The District's general fund, fund balance increased by \$62,576. 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, 2016**

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,826,483	\$ 5,249,776	(8.06) %
Tuition and fees	196,470	227,345	(13.58) %
Earnings on investments	61	19,297	(99.68) %
Intergovernmental	11,183,035	11,039,105	1.30 %
Other revenues	<u>223,521</u>	<u>165,270</u>	35.25 %
Total	<u>\$ 16,429,570</u>	<u>\$ 16,700,793</u>	(1.62) %
<u>Expenditures</u>			
Instruction	\$ 9,699,633	\$ 9,453,545	2.60 %
Support services	6,228,749	5,926,493	5.10 %
Extracurricular activities	362,262	353,798	2.39 %
Facilities acquisition and construction	74,728	-	100.00 %
Debt service	<u>47,844</u>	<u>76,111</u>	(37.14) %
Total	<u>\$ 16,413,216</u>	<u>\$ 15,809,947</u>	3.82 %

The decrease in taxes of \$423,293 or 8.06% is due in part to a decrease in the amount of taxes available for advance. This can fluctuate due to the timing of the tax bills sent from the County. The District's expenditures remained stable, with an increase of less than four percent.

Bond Retirement Fund

The District's bond retirement fund had \$2,229,334 in revenues and \$1,877,750 in expenditures. During fiscal 2016, the bond retirement fund's fund balance increased \$351,584 from \$3,338,820 to \$3,690,404. 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 \$92,850 in revenues and \$5,586,629 in expenditures. During fiscal 2016, the classroom facilities fund's fund balance decreased \$5,493,779 from \$10,869,020 to \$5,375,241. 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, 2016**

During the course of fiscal 2016, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,054,509, which was \$649,191 greater than the original budgeted revenues and other financing sources estimate of \$16,405,318. Actual revenues and other financing sources for fiscal 2016 was \$16,956,522, a decrease of \$97,987 from the final budgeted revenues and other financing sources.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$17,633,660, which was \$419,132 greater than the original appropriations estimate of \$17,214,528. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$17,506,950, which was \$126,710 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2016, the District had \$43,509,737 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and educational media. This entire amount is reported in governmental activities. The following table shows fiscal 2016 balances compared to 2015:

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

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Land	\$ 136,215	\$ 174,448
Construction in progress	-	41,717,193
Land improvements	1,377,518	313,706
Building and improvements	39,153,400	1,158,476
Furniture and equipment	1,853,189	811,970
Vehicles	197,537	338,361
Educational media	<u>791,878</u>	<u>-</u>
Total	<u>\$ 43,509,737</u>	<u>\$44,514,154</u>

The District acquired \$2,726,059 in capital asset additions during fiscal 2016. Total disposals to capital assets for 2016 were \$824,798 (net of accumulated depreciation). The District recorded \$2,905,678 in depreciation expense for fiscal 2016.

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

Debt Administration

At June 30, 2016, the District had \$23,053,049 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$907,608 is due within one year and \$22,145,441 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, 2016**

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

Outstanding Debt, at Year End

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds:		
Refunded elementary school renovation	\$ 1,020,000	\$ 1,240,000
Series 2011 A	10,658,256	10,649,288
Series 2011 B	9,569,552	9,898,056
Library improvement bonds	1,520,000	1,600,000
Loans payable:		
Energy conservation	-	20,706
Capital improvement loan	221,892	248,974
Capital lease obligations	<u>63,349</u>	<u>106,130</u>
Total	<u>\$ 23,053,049</u>	<u>\$ 23,763,154</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, 2016, the District's overall legal debt margin was \$10,794,846, with an unvoted debt margin of \$206,220, and an energy conservation debt margin of \$1,855,977.

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

Current Financial Related Activities

The Willard City Schools continues to carefully manage its general fund budget in order to optimize education dollars for the students in our district. However, we also continue to watch our expenses closely each year. On June 30, 2016, the general fund had an unencumbered fund balance of \$1,072,274. Total cash revenues collected for fiscal year 2016 was \$16,956,522. Total cash expenditures for the District were \$16,844,160, which did not include transfer and advances. After several years of deficit spending, the District finally finished the year in the black in fiscal year 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. Our new K-12 school, that was built in conjunction with the Ohio School Facilities, opened in August, 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The City of Willard is just completing a restructuring and revitalization of the industrial base for the Willard community. Willard has a rich tradition of educational excellence, outstanding performing arts, and strong athletic teams. The District is approximately eighty-eight square miles in size and has an enrollment of 1,674 students.

The District is continually striving for excellence. While the District is coming off a performance index of a "D" rating on the 2015-16 report card, we are expecting to improve the rating on the 2016-17 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 2016-2017 school year will be that the District will improve reading and math achievement for ALL students by creating a culture of high expectations with application based lessons following the UDL framework with an explicit focus on improved communication between students, staff, and the community. Jenni Smith, Curriculum Director, will implement the Ohio Improvement Process and look at the available data to set upcoming educational goals. The District will continue to 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 year's report card. Over the next few years there will be an intensive focus on the Third Grade Guarantee, applied learning, and in technology. The administration continues to work on improving the Walk-Through Evaluation process, communication, 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.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, 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, 2016**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 11,367,672
Receivables:	
Property taxes	6,190,973
Income taxes.	416,404
Accrued interest	5,508
Intergovernmental	418,191
Prepayments	55,555
Materials and supplies inventory.	10,957
Inventory held for resale.	3,581
Capital assets:	
Nondepreciable capital assets	136,215
Depreciable capital assets, net.	43,373,522
Capital assets, net	<u>43,509,737</u>
Total assets.	<u>61,978,578</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	38,177
Pension - STRS	2,307,223
Pension - SERS	379,544
Total deferred outflows of resources	<u>2,724,944</u>
Liabilities:	
Accounts payable.	39,206
Contracts payable.	32,887
Retainage payable	15,000
Accrued wages and benefits payable	2,114,836
Intergovernmental payable	75,023
Pension and postemployment obligation payable.	241,869
Accrued interest payable	425,810
Long-term liabilities:	
Due within one year.	978,989
Due in more than one year:	
Net pension liability.	23,448,397
Other amounts due in more than one year .	24,029,538
Total liabilities	<u>51,401,555</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,849,658
Pension - STRS.	1,385,597
Pension - SERS.	111,558
Total deferred inflows of resources	<u>6,346,813</u>
Net position:	
Net investment in capital assets	21,143,427
Restricted for:	
Capital projects	5,526,035
Permanent endowment.	23,254
Classroom facilities maintenance	409,520
Debt service.	3,014,092
Locally funded programs	14,734
State funded programs.	31,577
Federally funded programs	198,077
Student activities	138,778
Other purposes	1,579
Unrestricted (deficit)	(23,545,919)
Total net position.	<u>\$ 6,955,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction:						
Regular	\$ 8,931,573	\$ 195,481	\$ 88,992	\$ 50,690	\$ (8,596,410)	
Special	2,175,499	12,343	1,883,071	-	(280,085)	
Vocational	266,683	-	70,152	-	(196,531)	
Other	2,391,991	-	111,040	-	(2,280,951)	
Support services:						
Pupil.	768,908	-	11,797	-	(757,111)	
Instructional staff	812,678	-	5,400	-	(807,278)	
Board of education	518,316	-	-	-	(518,316)	
Administration.	2,069,814	-	18,063	-	(2,051,751)	
Fiscal.	481,765	-	7,577	-	(474,188)	
Business.	25,812	-	-	-	(25,812)	
Operations and maintenance	4,647,339	3,809	758	-	(4,642,772)	
Pupil transportation.	988,586	8,189	5,343	-	(975,054)	
Central	2,863	-	-	-	(2,863)	
Operation of non-instructional services:						
Other non-instructional services	217,243	-	224,997	-	7,754	
Food service operations	876,062	185,004	670,038	-	(21,020)	
Extracurricular activities.	590,435	173,032	45,541	-	(371,862)	
Interest and fiscal charges	1,176,520	-	-	-	(1,176,520)	
Total governmental activities	\$ 26,942,087	\$ 577,858	\$ 3,142,769	\$ 50,690	\$ (23,170,770)	

General revenues:

Property taxes levied for:	
General purposes	4,752,546
Debt service.	820,702
Classroom facilities maintenance.	97,987
Income taxes levied for debt service.	1,304,963
Grants and entitlements not restricted to specific programs	9,927,155
Investment earnings	1,467
Miscellaneous	178,128
Total general revenues	17,082,948
Change in net position	(6,087,822)
Net position at beginning of year.	13,042,976
Net position at end of year.	\$ 6,955,154

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,766,036	\$ 3,268,100	\$ 5,423,889	\$ 909,647	\$ 11,367,672
Receivables:					
Property taxes	5,295,411	895,562	-	-	6,190,973
Income taxes	-	416,404	-	-	416,404
Accrued interest	6	622	4,880	-	5,508
Intergovernmental	100,913	-	-	317,278	418,191
Prepayments	55,555	-	-	-	55,555
Materials and supplies inventory	10,957	-	-	-	10,957
Inventory held for resale	-	-	-	3,581	3,581
Total assets	<u>7,228,878</u>	<u>4,580,688</u>	<u>5,428,769</u>	<u>1,230,506</u>	<u>18,468,841</u>
Liabilities:					
Accounts payable	\$ 20,883	\$ -	\$ 5,641	\$ 12,682	\$ 39,206
Contracts payable	-	-	32,887	-	32,887
Retainage payable	-	-	15,000	-	15,000
Accrued wages and benefits payable	1,855,395	-	-	259,441	2,114,836
Compensated absences payable	3,141	-	-	-	3,141
Intergovernmental payable	65,526	6,246	-	3,251	75,023
Pension and postemployment obligation payable	217,450	-	-	24,419	241,869
Total liabilities	<u>2,162,395</u>	<u>6,246</u>	<u>53,528</u>	<u>299,793</u>	<u>2,521,962</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	4,149,209	700,449	-	-	4,849,658
Delinquent property tax revenue not available	303,473	53,321	-	-	356,794
Income tax revenue not available	-	130,268	-	-	130,268
Intergovernmental revenue not available	44,333	-	-	317,278	361,611
Total deferred inflows of resources	<u>4,497,015</u>	<u>884,038</u>	<u>-</u>	<u>317,278</u>	<u>5,698,331</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	10,957	-	-	-	10,957
Prepays	55,555	-	-	-	55,555
Permanent fund	-	-	-	23,254	23,254
Restricted:					
Debt service	-	3,690,404	-	-	3,690,404
Capital improvements	-	-	5,375,241	150,794	5,526,035
Classroom facilities maintenance	-	-	-	409,520	409,520
Non-public schools	-	-	-	30,368	30,368
Other purposes	-	-	-	46,508	46,508
Extracurricular	-	-	-	138,778	138,778
Committed:					
Capital improvements	-	-	-	19,416	19,416
Student and staff support	170,451	-	-	-	170,451
Student instruction	61,218	-	-	-	61,218
Assigned:					
Student instruction	22,635	-	-	-	22,635
Student and staff support	410,179	-	-	-	410,179
Subsequent year's appropriations	433,358	-	-	-	433,358
School supplies	2,497	-	-	-	2,497
Unassigned (deficit)	(597,382)	-	-	(205,203)	(802,585)
Total fund balances	<u>569,468</u>	<u>3,690,404</u>	<u>5,375,241</u>	<u>613,435</u>	<u>10,248,548</u>
Total liabilities, deferred inflows and fund balances .	<u>\$ 7,228,878</u>	<u>\$ 4,580,688</u>	<u>\$ 5,428,769</u>	<u>\$ 1,230,506</u>	<u>\$ 18,468,841</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, 2016

Total governmental fund balances	\$ 10,248,548
<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.	43,509,737
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.	
Property taxes receivable	\$ 356,794
Income taxes receivable	130,268
Intergovernmental receivable	<u>361,611</u>
Total	848,673
Unamortized premiums on bonds issued are not recognized in the funds.	(871,438)
Unamortized amounts on refundings are not recognized in the funds.	38,177
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(425,810)
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	2,686,767
Deferred Inflows - Pension	(1,497,155)
Net pension liability	<u>(23,448,397)</u>
Total	(22,258,785)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds	(22,767,808)
Capital lease obligations	(63,349)
Loans payable	(221,892)
Compensated absences	<u>(1,080,899)</u>
Total	<u>(24,133,948)</u>
Net position of governmental activities	<u>\$ 6,955,154</u>

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, 2016**

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 4,826,483	\$ 826,351	\$ -	\$ 97,987	\$ 5,750,821
Income taxes.	-	1,281,281	-	-	1,281,281
Tuition.	166,213	-	-	-	166,213
Transportation fees.	8,189	-	-	-	8,189
Earnings on investments	61	1,406	20,518	20	22,005
Charges for services	-	-	-	185,004	185,004
Extracurricular.	15,634	-	-	173,106	188,740
Classroom materials and fees	22,068	-	-	-	22,068
Rental income	3,809	-	-	-	3,809
Contributions and donations	22,115	-	-	76,000	98,115
Contract services.	12,283	-	-	-	12,283
Other local revenues	169,680	-	-	26,094	195,774
Intergovernmental - intermediate	472	-	-	23,179	23,651
Intergovernmental - state	11,084,544	120,296	72,332	210,296	11,487,468
Intergovernmental - federal	98,019	-	-	1,803,286	1,901,305
Total revenues	<u>16,429,570</u>	<u>2,229,334</u>	<u>92,850</u>	<u>2,594,972</u>	<u>21,346,726</u>
Expenditures:					
Current:					
Instruction:					
Regular.	6,227,572	-	-	70,194	6,297,766
Special	981,395	-	-	1,150,728	2,132,123
Vocational	204,101	-	-	4,600	208,701
Other	2,286,565	-	-	105,830	2,392,395
Support services:					
Pupil	730,619	-	-	11,637	742,256
Instructional staff	702,335	-	-	5,400	707,735
Board of education	475,907	-	-	40,984	516,891
Administration	1,752,445	1,388	-	18,832	1,772,665
Fiscal	434,215	39,668	-	7,164	481,047
Business.	25,812	-	-	-	25,812
Operations and maintenance	1,307,735	-	-	105,669	1,413,404
Pupil transportation	796,818	-	-	5,271	802,089
Central	2,863	-	-	-	2,863
Operation of non-instructional services:					
Other non-instructional services.	-	-	-	206,912	206,912
Food service operations.	-	-	-	866,338	866,338
Extracurricular activities	362,262	-	-	202,825	565,087
Facilities acquisition and construction.	74,728	-	5,586,629	220,017	5,881,374
Debt service:					
Principal retirement.	42,781	785,000	-	47,788	875,569
Interest and fiscal charges	5,063	1,051,694	-	147	1,056,904
Total expenditures	<u>16,413,216</u>	<u>1,877,750</u>	<u>5,586,629</u>	<u>3,070,336</u>	<u>26,947,931</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>16,354</u>	<u>351,584</u>	<u>(5,493,779)</u>	<u>(475,364)</u>	<u>(5,601,205)</u>
Other financing sources (uses):					
Sale of assets.	140,552	-	-	-	140,552
Transfers in.	-	-	-	94,330	94,330
Transfers (out)	(94,330)	-	-	-	(94,330)
Total other financing sources (uses)	<u>46,222</u>	<u>-</u>	<u>-</u>	<u>94,330</u>	<u>140,552</u>
Net change in fund balances	62,576	351,584	(5,493,779)	(381,034)	(5,460,653)
Fund balances at beginning of year.	506,892	3,338,820	10,869,020	994,469	15,709,201
Fund balances at end of year.	\$ 569,468	\$ 3,690,404	\$ 5,375,241	\$ 613,435	\$ 10,248,548

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, 2016

Net change in fund balances - total governmental funds	\$ (5,460,653)
<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	\$ 2,726,059
Current year depreciation	<u>(2,905,678)</u>
Total	(179,619)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.	(824,798)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(79,586)
Income taxes	23,682
Intergovernmental	<u>(453,087)</u>
Total	(508,991)
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	785,000
Loans	47,788
Capital leases	<u>42,781</u>
Total	875,569
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:	
Decrease in accrued interest payable	9,588
Accreted interest on capital appreciation bonds	(165,464)
Amortization of bond premiums	50,142
Amortization of deferred charges	<u>(13,882)</u>
Total	(119,616)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	1,359,807
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,176,870)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(52,651)</u>
Change in net position of governmental activities	<u>\$ (6,087,822)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Property taxes	\$ 4,846,442	\$ 5,038,225	\$ 4,940,238	\$ (97,987)
Tuition.	159,885	166,212	166,212	-
Transportation fees.	7,877	8,189	8,189	-
Earnings on investments	60	62	62	-
Extracurricular.	19	20	20	-
Classroom materials and fees	7,966	8,281	8,281	-
Rental income	3,664	3,809	3,809	-
Contract services.	11,815	12,283	12,283	-
Other local revenues	163,221	169,680	169,680	-
Intergovernmental - intermediate	454	472	472	-
Intergovernmental - state	10,648,056	11,069,421	11,069,421	-
Intergovernmental - federal	97,253	101,101	101,101	-
Total revenues	<u>15,946,712</u>	<u>16,577,755</u>	<u>16,479,768</u>	<u>(97,987)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,095,366	6,243,771	6,242,323	1,448
Special.	971,723	995,383	970,570	24,813
Vocational.	194,410	199,144	199,078	66
Other.	2,261,941	2,317,014	2,316,882	132
Support services:				
Pupil.	713,214	730,579	730,379	200
Instructional staff	939,012	961,875	961,628	247
Board of education	483,553	495,327	495,289	38
Administration.	1,710,453	1,752,099	1,751,770	329
Fiscal	428,102	438,525	438,441	84
Business	160,156	164,055	164,041	14
Operations and maintenance.	1,540,204	1,577,704	1,576,724	980
Pupil transportation	826,947	847,081	846,968	113
Central.	3,664	3,753	3,747	6
Extracurricular activities.	347,463	355,923	355,770	153
Facilities acquisition and construction	72,952	74,728	74,728	-
Total expenditures	<u>16,749,160</u>	<u>17,156,961</u>	<u>17,128,338</u>	<u>28,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(802,448)</u>	<u>(579,206)</u>	<u>(648,570)</u>	<u>(69,364)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	29,359	30,521	30,521	-
Transfers (out).	(193,195)	(197,899)	(99,842)	98,057
Advances in.	268,158	278,770	278,770	-
Advances (out)	(272,173)	(278,800)	(278,770)	30
Sale of capital assets	161,088	167,463	167,463	-
Total other financing sources (uses)	<u>(6,762)</u>	<u>55</u>	<u>98,142</u>	<u>98,087</u>
Net change in fund balance	<u>(809,210)</u>	<u>(579,151)</u>	<u>(550,428)</u>	<u>28,723</u>
Fund balance at beginning of year	908,174	908,174	908,174	-
Prior year encumbrances appropriated	714,528	714,528	714,528	-
Fund balance at end of year	\$ 813,492	\$ 1,043,551	\$ 1,072,274	\$ 28,723

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, 2016**

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ <u>22,062</u>
Total assets.	<u>\$ 22,062</u>
Liabilities:	
Intergovernmental payable	\$ <u>130</u>
Due to students.	<u>21,932</u>
Total liabilities	<u>\$ 22,062</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, 2016**

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 118 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, 2016**

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 2016, the District paid \$192,671 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, 2016**

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, 2016**

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, 2016**

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 are 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, 2016**

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. See Note 14 for deferred outflows of resources related the District's net pension liability. 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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 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.

See Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

E. Budgetary Process

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with 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, 2016**

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.

The District has invested funds in STAR Ohio during fiscal year 2016. 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. STAR Ohio maintains a stable net asset value (NAV) per share by using the amortized cost method of portfolio valuation. For the fiscal year ended June 30, 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to Public Fund Administrators, the co-administrator for STAR Ohio, 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016 amounted to \$61.

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</u>	<u>Estimated Lives</u>
Land improvements	7 - 30 years	
Buildings and improvements	7 - 40 years	
Furniture and equipment	5 - 30 years	
Vehicles	7 - 15 years	
Educational media	4 years	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016, 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, 2016 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, 2016**

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, net pension liabilities 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, 2016**

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, 2016**

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 2016.

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.

U. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 41,338
Public school preschool	6,239
Vocational education enhancement	1,045
Race to the top	35
IDEA Part-B	68,592
Title III - limited english proficiency	5,999
Title I	67,544
Improving teacher quality	14,411

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$5,770,033. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$5,640,033 of the District's bank balance of \$5,890,033 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, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Investment Maturities</u>	
	<u>Fair value</u>	<u>6 months or less</u>
STAR Ohio	\$ 5,616,126	\$ 5,616,126

The District's investments in Star Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 inputs).

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2016:

Investment type	Fair Value	% to Total
STAR Ohio	<u>\$ 5,616,126</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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,770,033
Investments	5,616,126
Cash on hand	<u>3,575</u>
Total	<u>\$ 11,389,734</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 11,367,672
Agency funds	<u>22,062</u>
Total	<u>\$ 11,389,734</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General	\$ 94,330

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2016 was \$842,729 in the general fund and \$141,792 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$956,484 in the general fund and \$163,927 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, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 187,919,470	96.40	\$ 196,975,460	95.52
Public utility personal	<u>7,026,690</u>	<u>3.60</u>	<u>9,244,260</u>	<u>4.48</u>
Total	<u>\$ 194,946,160</u>	<u>100.00</u>	<u>\$ 206,219,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$51.05		\$51.05

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 6,190,973
Income taxes	416,404
Accrued interest	5,508
Intergovernmental	<u>418,191</u>
Total	<u>\$ 7,031,076</u>

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

NOTE 8 - INCOME TAX

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,448	\$ -	\$ (38,233)	\$ 136,215
Construction in progress	<u>41,717,193</u>	<u>-</u>	<u>(41,717,193)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>41,891,641</u>	<u>-</u>	<u>(41,755,426)</u>	<u>136,215</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	555,983	1,322,560	(107,063)	1,771,480
Buildings and improvements	5,427,057	39,234,137	(1,281,866)	43,379,328
Furniture and equipment	1,630,932	2,480,958	(1,221,181)	2,890,709
Vehicles	1,267,168	48,092	-	1,315,260
Educational media	<u>-</u>	<u>1,357,505</u>	<u>-</u>	<u>1,357,505</u>
Total capital assets, being depreciated	<u>8,881,140</u>	<u>44,443,252</u>	<u>(2,610,110)</u>	<u>50,714,282</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(242,277)	(232,696)	81,011	(393,962)
Buildings and improvements	(4,268,581)	(1,239,213)	1,281,866	(4,225,928)
Furniture and equipment	(818,962)	(679,226)	460,668	(1,037,520)
Vehicles	(928,807)	(188,916)	-	(1,117,723)
Educational media	<u>-</u>	<u>(565,627)</u>	<u>-</u>	<u>(565,627)</u>
Total accumulated depreciation	<u>(6,258,627)</u>	<u>(2,905,678)</u>	<u>1,823,545</u>	<u>(7,340,760)</u>
Governmental activities capital assets, net	<u>\$ 44,514,154</u>	<u>\$ 41,537,574</u>	<u>\$ (42,541,991)</u>	<u>\$ 43,509,737</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 2,023,372
Special	60,595
Vocational	59,959

Support services:

Pupil	31,363
Instructional staff	109,487
Board of education	1,425
Administration	298,496
Operations and maintenance	73,829
Pupil transportation	188,916
Operation of non-instructional services	9,432
Extracurricular activities	32,181
Food service operations	<u>16,623</u>

Total depreciation expense	<u>\$ 2,905,678</u>
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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, 2016 was \$190,424, leaving a current book value of \$84,649. A corresponding liability was recorded in the statement of net position. Principal payments in the 2016 fiscal year totaled \$42,781. 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, 2016**

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, 2016:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 32,423
2018	32,424
2019	<u>2,702</u>
Total minimum lease payment	67,549
Less: amount representing interest	<u>(4,200)</u>
Present value of minimum lease payments	<u><u>\$ 63,349</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, 2016**

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

			Interest	Balance			Balance	Amount
	Issued	Due	Rate	07/01/15	Increase	Decrease	06/30/16	Due in One Year
G.O. Bonds Payable								
School improvement refunding	2004	2020	Variable	\$ 1,240,000	\$ -	\$ (220,000)	\$ 1,020,000	\$ 235,000
Library improvement bonds	2015	2030	4.00%	1,600,000	-	(80,000)	1,520,000	110,000
Series 2011 A	2012	2044	Variable					
Current interest				10,410,000	-	-	10,410,000	-
Capital appreciation				37,387	-	(12,054)	25,333	9,385
Accreted interest				201,901	88,968	(67,946)	222,923	85,615
Series 2011 B	2012	2044	Variable					
Current interest				9,700,000	-	(405,000)	9,295,000	410,000
Capital appreciation				63,384	-	-	63,384	-
Accreted interest				134,672	76,496	-	211,168	-
Total G.O. bonds				<u>23,387,344</u>	<u>165,464</u>	<u>(785,000)</u>	<u>22,767,808</u>	<u>850,000</u>
Loans Payable								
Energy conservation	2001	2016	5.85%	20,706	-	(20,706)	-	-
Capital improvement	2013	2023	4.00%	248,974	-	(27,082)	221,892	28,186
Total loans payable				<u>269,680</u>	<u>-</u>	<u>(47,788)</u>	<u>221,892</u>	<u>28,186</u>
Other Long-Term Obligations								
Capital lease obligation				106,130	-	(42,781)	63,349	29,422
Net pension liability				20,271,895	3,176,502	-	23,448,397	-
Compensated absences				1,051,305	118,658	(85,923)	1,084,040	71,381
Total other long-term obligations				<u>21,429,330</u>	<u>3,295,160</u>	<u>(128,704)</u>	<u>24,595,786</u>	<u>100,803</u>
Total governmental activities				<u>\$ 45,086,354</u>	<u>\$ 3,460,624</u>	<u>\$ (961,492)</u>	<u>47,585,486</u>	<u>\$ 978,989</u>
Add: unamortized premium on bonds							<u>871,438</u>	
Total on statement of net position							<u>\$ 48,456,924</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 \$1,680,000. Total accreted interest of \$434,091 has been included in the statement of net position at June 30, 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016, are as follows:

Fiscal Year <u>Ending June 30</u>	General Obligation Bonds					
	Current Interest			Capital Appreciation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	110,000	919,169	1,029,169	22,121	542,879	565,000
2022 - 2026	3,765,000	4,288,014	8,053,014	-	-	-
2027 - 2031	4,755,000	3,407,235	8,162,235	-	-	-
2032 - 2036	5,120,000	2,210,000	7,330,000	-	-	-
2037 - 2041	3,310,000	1,183,750	4,493,750	-	-	-
2042 - 2044	2,645,000	272,250	2,917,250	-	-	-
Total	<u>\$ 22,245,000</u>	<u>\$ 16,177,981</u>	<u>\$ 38,422,981</u>	<u>\$ 88,717</u>	<u>\$ 1,511,283</u>	<u>\$ 1,600,000</u>

Fiscal Year <u>Ending June 30</u>	Loans Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	33,068	3,481	36,549
2022 - 2023	<u>69,002</u>	<u>2,866</u>	<u>71,868</u>
Total	<u>\$ 221,892</u>	<u>\$ 32,718</u>	<u>\$ 254,610</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$10,794,846 (including available funds of \$3,690,404), an unvoted debt margin of \$206,220 and an unvoted energy conservation debt margin of \$1,855,977.

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 Humana.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016, 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	\$51,692,831
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.

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. Health insurance is provided through Medical Mutual of Ohio and dental benefits are provided through Delta Dental. 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, 2016**

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 2016, 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.

The 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, 2016**

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
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$295,167 for fiscal year 2016. Of this amount, \$21,460 is reported as pension and postemployment obligation 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, 2016**

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,064,640 for fiscal year 2016. Of this amount, \$187,550 is reported as pension and postemployment obligation 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, 2015, 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	\$ 3,503,350	\$ 19,945,047	\$ 23,448,397
Proportion of the net pension liability	0.06139660%	0.07216772%	
Pension expense	\$ 247,022	\$ 929,848	\$ 1,176,870

**WILLARD CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 56,240	\$ 906,701	\$ 962,941
Changes in proportionate share	28,137	335,882	364,019
District contributions subsequent to the measurement date	<u>295,167</u>	<u>1,064,640</u>	<u>1,359,807</u>
Total deferred outflows of resources	<u><u>\$ 379,544</u></u>	<u><u>\$ 2,307,223</u></u>	<u><u>\$ 2,686,767</u></u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 111,558	\$ 1,385,597	\$ 1,497,155
Total deferred inflows of resources	<u><u>\$ 111,558</u></u>	<u><u>\$ 1,385,597</u></u>	<u><u>\$ 1,497,155</u></u>

\$1,359,807 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (31,803)	\$ (224,303)	\$ (256,106)
2018	(31,803)	(224,303)	(256,106)
2019	(31,806)	(224,301)	(256,107)
2020	<u>68,231</u>	<u>529,893</u>	<u>598,124</u>
Total	<u><u>\$ (27,181)</u></u>	<u><u>\$ (143,014)</u></u>	<u><u>\$ (170,195)</u></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.

**WILLARD CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 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 asset's class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	15.00	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, 2016**

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	\$ 4,857,887	\$ 3,503,350	\$ 2,362,717

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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, 2015, 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, 2016**

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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	\$ 27,705,175	\$ 19,945,047	\$ 13,382,702

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 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 2016, none of the employer contribution 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 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$32,936.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$32,936, \$46,107, and \$35,871, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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, 2016**

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 years 2016 and 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, 2016, 2015, and 2014 were \$0, \$0, and \$75,255, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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, 2016**

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		\$ (550,428)
Net adjustment for revenue accruals		(101,796)
Net adjustment for expenditure accruals		113,563
Net adjustment for other sources/uses		(51,920)
Funds budgeted elsewhere		(9,633)
Adjustment for encumbrances		<u>662,790</u>
GAAP basis		<u>\$ 62,576</u>

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 2015-2016 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, 2016 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, 2016**

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, 2016.

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, 2015	\$ -
Current year set-aside requirement	272,413
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(571,250)
Excess qualified expenditures from prior years	-
Current year offsets	(97,987)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (396,824)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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</u>
	<u>Encumbrances</u>
General	\$ 643,445
Classroom facilities	1,657,292
Other governmental	<u>120,502</u>
Total	<u><u>\$ 2,421,239</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2015	2014	2013
District's proportion of the net pension liability	0.06139660%	0.06066300%	0.06066300%
District's proportionate share of the net pension liability	\$ 3,503,350	\$ 3,070,120	\$ 3,607,434
District's covered-employee payroll	\$ 1,963,354	\$ 1,780,541	\$ 1,791,142
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.44%	172.43%	201.40%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	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**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2015	2014	2013
District's proportion of the net pension liability	0.07216772%	0.07072092%	0.07072092%
District's proportionate share of the net pension liability	\$ 19,945,047	\$ 17,201,775	\$ 20,490,642
District's covered-employee payroll	\$ 7,573,943	\$ 7,781,546	\$ 8,108,815
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	263.34%	221.06%	252.70%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	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**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012
Contractually required contribution	\$ 295,167	\$ 258,770	\$ 246,783	\$ 247,894	\$ 277,465
Contributions in relation to the contractually required contribution	<u>(295,167)</u>	<u>(258,770)</u>	<u>(246,783)</u>	<u>(247,894)</u>	<u>(277,465)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 2,108,336	\$ 1,963,354	\$ 1,780,541	\$ 1,791,142	\$ 2,062,937
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007
\$ 259,770	\$ 290,185	\$ 205,094	\$ 202,065	\$ 213,163
<u>(259,770)</u>	<u>(290,185)</u>	<u>(205,094)</u>	<u>(202,065)</u>	<u>(213,163)</u>
<u>\$ -</u>				
\$ 2,066,587	\$ 2,143,168	\$ 2,084,289	\$ 2,057,688	\$ 1,995,908
12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,064,640	\$ 1,060,352	\$ 1,011,601	\$ 1,054,146	\$ 1,118,573
Contributions in relation to the contractually required contribution	<u>(1,064,640)</u>	<u>(1,060,352)</u>	<u>(1,011,601)</u>	<u>(1,054,146)</u>	<u>(1,118,573)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 7,604,571	\$ 7,573,943	\$ 7,781,546	\$ 8,108,815	\$ 8,604,408
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007
\$ 1,096,264	\$ 1,149,852	\$ 1,134,302	\$ 1,115,841	\$ 1,110,075
<u>(1,096,264)</u>	<u>(1,149,852)</u>	<u>(1,134,302)</u>	<u>(1,115,841)</u>	<u>(1,110,075)</u>
<u>\$ -</u>				
\$ 8,432,800	\$ 8,845,015	\$ 8,725,400	\$ 8,583,392	\$ 8,539,038
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, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. 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 years 2014 - 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**WILLARD CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(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	2016	\$ 109,842
(C)(D) National School Lunch Program	10.555	2016	491,876
(D)(E) National School Lunch Program - Food Donation	10.555	2016	59,458
Total National School Lunch Program			<u>551,334</u>
(C)(D) Special Milk Program for Children	10.556	2016	216
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>661,392</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	120,766
Title I Grants to Local Educational Agencies	84.010	2016	392,055
Total Title I Grants to Local Educational Agencies			<u>512,821</u>
Migrant Education_State Grant Program	84.011	2015	136,807
Migrant Education_State Grant Program	84.011	2016	102,078
Total Migrant Education_State Grant Program			<u>238,885</u>
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2015	69,343
(F) Special Education_Grants to States	84.027	2016	384,676
Total Special Education_Grants to States			<u>454,019</u>
(F) Special Education_Preschool Grants	84.173	2016	13,771
Total Special Education Grant Cluster			<u>467,790</u>
Rural Education	84.358	2015	3,809
Rural Education	84.358	2016	25,744
Total Rural Education			<u>29,553</u>
English Language Acquisition State Grants	84.365	2015	6,924
English Language Acquisition State Grants	84.365	2016	36,436
Total English Language Acquisition State Grants			<u>43,360</u>
Improving Teacher Quality State Grants	84.367	2015	6,287
Improving Teacher Quality State Grants	84.367	2016	91,534
Total Improving Teacher Quality State Grants			<u>97,821</u>
ARRA - Race to the Top, Recovery Act	84.395A	2015	4,868
Total U.S. Department of Education			<u>1,395,098</u>
Total Federal Financial Assistance			<u>\$ 2,056,490</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Willard City School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Willard City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Willard City School District.
- (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) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has elected not to use the 10% de minimis indirect cost rate.



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2016, 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 28, 2016.

Internal Control Over Financial Reporting

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

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

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

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 28, 2016



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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 the Uniform Guidance

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) *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, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, 2016.

Board of Education
Willard City School District

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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 28, 2016

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

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE 2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
(d)(1)(vii)	<i>Major Programs (listed):</i>	Special Education Grant Cluster; Title I Grants to Local Educational Agencies (CFDA #84.010)
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
UNIFORM GUIDANCE § 200.511
JUNE 30, 2016**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2015-001	2015	Material Weakness - Financial Statement Presentation: 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.	Yes	N/A



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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 21, 2017