

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

OHIO AUDITOR OF STATE KEITH FABER



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Willard City School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. 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. Willard City School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 11, 2019

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2018, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2018, the Willard City School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, 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 18, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018. 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 2018 are as follows:

- In total, net position of governmental activities increased \$8,277,255 which represents a 1,354.45% increase from 2017 as restated in Note 3.A.
- General revenues accounted for \$18,508,394 in revenue or 81.66% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,157,780 or 18.34% of total revenues of \$22,666,174.
- The District had \$14,388,919 in expenses related to governmental activities; only \$4,157,780 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,508,394 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$17,360,426 in revenues and \$17,423,148 in expenditures and other financing uses. During fiscal 2018, the general fund's fund balance decreased \$62,722 from a balance of \$462,917 to \$400,195.
- The bond retirement fund had \$2,564,892 in revenues and \$1,901,760 in expenditures. During fiscal 2018, the bond retirement fund's fund balance increased \$663,132 from a balance of \$4,358,090 to a balance of \$5,021,222.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement 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, 2018

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 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement 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 19-23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-71 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 and net OPEB liability. The required supplementary information can be found on pages 72-85 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, 2018

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The net position at June 30, 2018 has been restated as described in Note 3.A.

The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017.

	Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
<u>Assets</u>		
Current and other assets	\$ 14,747,032	\$ 15,511,283
Capital assets, net	<u>43,818,620</u>	<u>44,402,782</u>
Total assets	<u>58,565,652</u>	<u>59,914,065</u>
<u>Deferred outflows of resources</u>	<u>7,471,091</u>	<u>5,565,254</u>
<u>Liabilities</u>		
Current liabilities	2,571,920	2,379,516
Long-term liabilities:		
Due within one year	810,765	983,624
Due in more than one year:		
Net pension liability	21,442,311	28,608,452
Net OPEB liability	4,642,909	5,667,171
Other amounts	<u>22,772,210</u>	<u>23,276,351</u>
Total liabilities	<u>52,240,115</u>	<u>60,915,114</u>
<u>Deferred inflows of resources</u>	<u>6,130,489</u>	<u>5,175,321</u>
<u>Net Position</u>		
Investment in capital assets	23,407,639	22,661,012
Restricted	7,094,273	7,544,239
Unrestricted (deficit)	<u>(22,835,773)</u>	<u>(30,816,367)</u>
Total net position	<u>\$ 7,666,139</u>	<u>\$ (611,116)</u>

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$5,023,782 to (\$611,116).

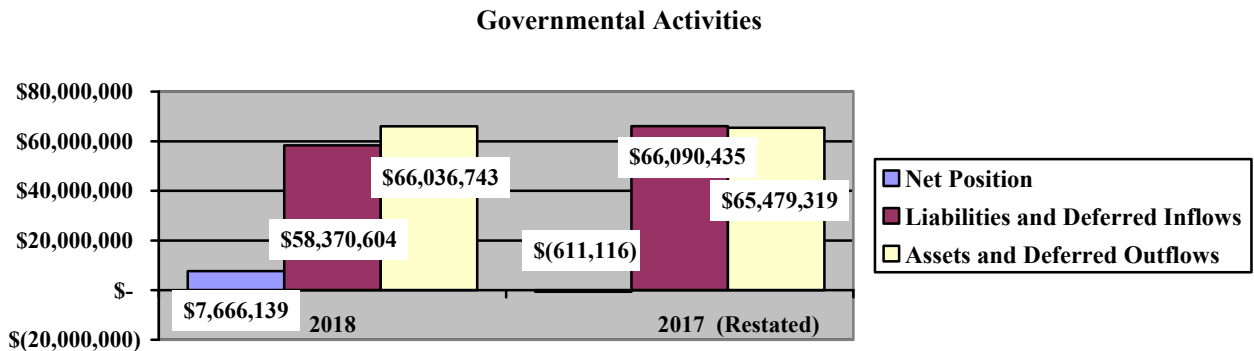
**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

At year-end, capital assets represented 74.82% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, educational media and vehicles. Net investment in capital assets was \$23,407,639. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$7,094,273, 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 \$22,835,773.

The graph below shows the District's assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2018 and 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
Revenues		
Program revenues:		
Charges for services and sales	\$ 850,287	\$ 702,747
Operating grants and contributions	3,278,503	3,342,252
Capital grants and contributions	28,990	47,124
General revenues:		
Property taxes	6,427,939	6,052,901
Income taxes	1,473,467	1,511,205
Grants and entitlements	10,373,515	10,600,026
Investment earnings	24,843	22,175
Other	208,630	176,577
Total revenues	<u>22,666,174</u>	<u>22,455,007</u>

-Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2018</u>	<u>2017</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	3,397,617	8,283,112
Special	999,171	2,468,866
Vocational	176,635	267,917
Other	2,887,986	2,776,604
Support services:		
Pupil	429,220	802,667
Instructional staff	548,398	847,820
Board of education	442,592	403,413
Administration	1,324,665	2,059,131
Fiscal	340,201	512,433
Business	55,395	58,288
Operations and maintenance	1,010,493	1,380,667
Pupil transportation	477,743	687,216
Central	1,090	-
Operations of non-instructional services:		
Other non-instructional services	128,947	278,735
Food service operations	576,447	803,159
Extracurricular activities	411,692	696,355
Interest and fiscal charges	<u>1,180,627</u>	<u>1,194,138</u>
Total expenses	<u>14,388,919</u>	<u>23,520,521</u>
Special item - Refund to OFCC	<u>-</u>	<u>(3,067,532)</u>
Change in net position	8,277,255	(4,291,559)
Net position at beginning of year (restated)	<u>(611,116)</u>	<u>N/A</u>
Net position at end of year	<u>\$ 7,666,139</u>	<u>\$ (611,116)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$32,273 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$754,735. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 14,388,919
Negative OPEB expense under GASB 75	754,735
2018 contractually required contributions	<u>10,262</u>
Adjusted 2018 program expenses	15,153,916
Total 2017 program expenses under GASB 45	<u>23,520,521</u>
Decrease in program expenses not related to OPEB	<u>\$ (8,366,605)</u>

Governmental Activities

The restated net position of the District's governmental activities increased \$8,277,255. Total governmental expenses of \$14,388,919 were offset by program revenues of \$4,157,780 and general revenues of \$18,508,394. Program revenues supported 28.90% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 80.63% of total governmental revenue. Real estate property is reappraised every six years.

Overall, expenses of the governmental activities decreased \$9,131,602 or 38.82%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$6,684,249) in pension expense and (\$754,735) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis. Pension expense, by function, for 2018 and 2017 follows:

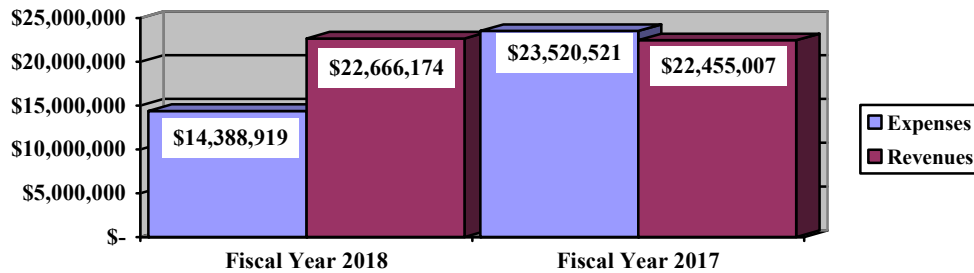
**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	2018 Pension Expense	2017 Pension Expense	Increase (Decrease)
Program expenses:			
Instruction:			
Regular	\$ (3,324,733)	\$ 1,204,815	\$ (4,529,548)
Special	(1,074,338)	377,178	(1,451,516)
Vocational	(74,036)	26,123	(100,159)
Other	(112,838)	40,987	(153,825)
Support services:			
Pupil	(226,351)	91,706	(318,057)
Instructional staff	(159,889)	68,423	(228,312)
Board of education	(3,662)	1,272	(4,934)
Administration	(612,369)	206,351	(818,720)
Fiscal	(112,520)	38,760	(151,280)
Operations and maintenance	(249,740)	89,633	(339,373)
Pupil transportation	(223,112)	77,055	(300,167)
Operation of non-instructional services:			
Other non-instructional services	(59,165)	17,982	(77,147)
Food service operations	(161,522)	59,330	(220,852)
Extracurricular activities	(289,974)	87,465	(377,439)
Total	\$ (6,684,249)	\$ 2,387,080	\$ (9,071,329)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2018 and 2017.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

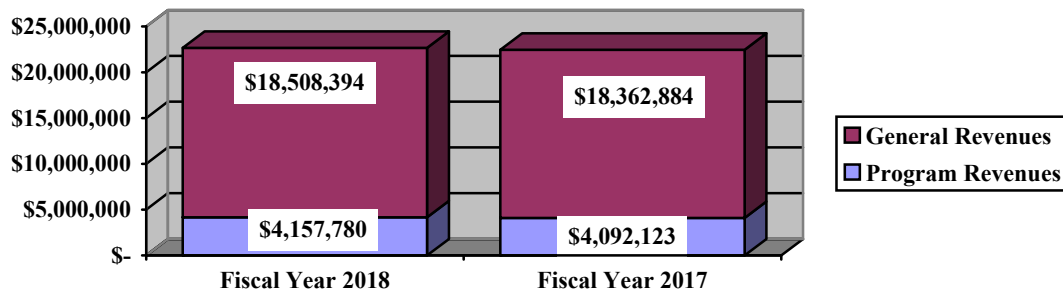
Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 3,397,617	\$ 2,855,619	\$ 8,283,112	\$ 7,862,739
Special	999,171	(949,038)	2,468,866	406,913
Vocational	176,635	79,365	267,917	168,885
Other	2,887,986	2,823,308	2,776,604	2,713,853
Support services:				
Pupil	429,220	413,599	802,667	793,957
Instructional staff	548,398	534,499	847,820	842,542
Board of education	442,592	442,592	403,413	403,413
Administration	1,324,665	1,300,356	2,059,131	2,041,338
Fiscal	340,201	327,791	512,433	497,397
Business	55,395	55,395	58,288	58,288
Operations and maintenance	1,010,493	1,006,097	1,380,667	1,377,772
Pupil transportation	477,743	420,429	687,216	635,710
Central	1,090	1,090	-	-
Operations of non-instructional services				
Other non-instructional services	128,947	(136,410)	278,735	34,442
Food service operations	576,447	(200,242)	803,159	(13,938)
Extracurricular activities	411,692	76,062	696,355	410,949
Interest and fiscal charges	<u>1,180,627</u>	<u>1,180,627</u>	<u>1,194,138</u>	<u>1,194,138</u>
Total expenses	<u>\$ 14,388,919</u>	<u>\$ 10,231,139</u>	<u>\$ 23,520,521</u>	<u>\$ 19,428,398</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 64.46% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71.10%. 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 2018 and 2017.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$7,300,106, which is \$369,346 less than last year's total of \$7,669,452. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	Increase / <u>(Decrease)</u>
General	\$ 400,195	\$ 462,917	\$ (62,722)
Bond retirement	5,021,222	4,358,090	663,132
Other governmental	<u>1,878,689</u>	<u>2,848,445</u>	<u>(969,756)</u>
Total	<u>\$ 7,300,106</u>	<u>\$ 7,669,452</u>	<u>\$ (369,346)</u>

General Fund

The District's general fund, fund balance decreased by \$62,722. The following table assists in illustrating the financial activities and fund balance of the general fund.

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 5,455,066	\$ 5,063,931	7.72 %
Tuition and fees	369,799	234,859	57.46 %
Earnings on investments	21,174	19,233	10.09 %
Intergovernmental	11,211,952	11,430,034	(1.91) %
Other revenues	<u>302,435</u>	<u>272,825</u>	10.85 %
Total	<u>\$ 17,360,426</u>	<u>\$ 17,020,882</u>	1.99 %
<u>Expenditures</u>			
Instruction	\$ 10,812,959	\$ 10,453,208	3.44 %
Support services	6,100,700	6,273,640	(2.76) %
Operation of non-instructional services	(172)	-	(100.00) %
Extracurricular activities	440,688	355,662	23.91 %
Debt service	<u>32,424</u>	<u>32,423</u>	0.00 %
Total	<u>\$ 17,386,599</u>	<u>\$ 17,114,933</u>	1.59 %

The District revenues and expenditures remained relatively stable. Revenues increased by 1.99% and expenditures increased 1.59%. Expenditure increases were the result of increases in salary and fringe benefit costs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Bond Retirement Fund

The District's bond retirement fund had \$2,564,892 in revenues and \$1,901,760 in expenditures. During fiscal 2018, the bond retirement fund's fund balance increased \$663,132 from \$4,358,090 to \$5,021,222. 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.

General Fund Budgeting Highlights

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

During the course of fiscal 2018, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,283,138, which was \$382,587 greater than the original budgeted revenues and other financing sources estimate of \$16,900,551. Actual revenues and other financing sources for fiscal 2018 was \$17,322,696, an increase of \$39,558 from the final budgeted revenues and other financing sources.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$17,690,823, which was \$168,952 greater than the original appropriations estimate of \$17,521,871. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$17,489,593, which was \$201,230 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018, the District had \$43,818,620 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 2018 balances compared to 2017:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>
Land	\$ 664,418	\$ 598,930
Land improvements	2,090,585	1,431,797
Building and improvements	38,390,300	39,301,070
Furniture and equipment	1,718,874	1,895,659
Vehicles	388,816	383,448
Educational media	<u>565,627</u>	<u>791,878</u>
Total	<u>\$ 43,818,620</u>	<u>\$44,402,782</u>

The District acquired \$1,295,117 in capital assets during fiscal 2018. The District recorded \$1,879,279 in depreciation expense for fiscal 2018.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Debt Administration

At June 30, 2018, the District had \$21,650,971 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$748,218 is due within one year and \$20,902,753 is due in greater than one year.

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

Outstanding Debt, at Year End

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
General obligation bonds:		
Refunded elementary school renovation	\$ 535,000	\$ 785,000
Series 2011 A	10,656,318	10,666,543
Series 2011 B	8,992,592	9,265,593
Library improvement bonds	1,300,000	1,410,000
Loans payable:		
Capital improvement loan	164,372	193,706
Capital lease obligations	<u>2,689</u>	<u>33,927</u>
Total	<u>\$ 21,650,971</u>	<u>\$ 22,354,769</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, 2018, the District's overall legal debt margin was \$13,096,482, with an unvoted debt margin of \$211,445, and an energy conservation debt margin of \$1,903,005.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Current Financial Related Activities

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 Willard City School district is approximately eighty-eight square miles in size and has an enrollment of 1,620 students.

The Willard City School district is continually striving for excellence. While the district is coming off a performance index of a "D" rating on the 2016-17 report card, we are expecting to improve the rating on the 2017-18 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 2017-2018 school year will be that the Willard City Schools 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 has had a major setback in creating a positive learning environment due to public concerns about bullying. The teachers and administrators are currently working together to formulate plans for their individual buildings, to improve upon their previous years report card and to implement "start talking". 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 continues to 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.

On June 30, 2018, the Willard City Schools had an unencumbered general fund balance of \$636,181, which was double the June 30, 2017 fund balance. Total revenue, including transfers and advances, collected for fiscal year 2018 was \$17,283,138. Total expenditures for the district were \$17,168,952, which also include transfer and advances. We had an excess of revenues over expenditures on a cash basis of \$114,186 for fiscal year ending 2018. We continue to try to keep our operating costs as low as possible while still meeting the educational needs of our students.

With the return of approximately \$2,200,000.00 from our building project, the Willard City Schools is investing these funds back into the infrastructure of the district including the football field, resurfacing the track and field events, building a new bus garage, and moving the district office to the site of the new K-12 complex. We hope to have all the projects completed by the summer of 2019.

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, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,473,559
Receivables:	
Property taxes	6,372,615
Income taxes.	529,257
Accrued interest	3,068
Intergovernmental	297,999
Prepayments	67,819
Materials and supplies inventory.	596
Inventory held for resale.	2,119
Capital assets:	
Nondepreciable capital assets	664,418
Depreciable capital assets, net.	43,154,202
Capital assets, net	43,818,620
Total assets.	58,565,652
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	10,413
Pension.	7,160,399
OPEB	300,279
Total deferred outflows of resources	7,471,091
Liabilities:	
Accounts payable.	76,115
Accrued wages and benefits payable	1,741,692
Intergovernmental payable	69,362
Pension and postemployment obligation payable.	272,050
Accrued interest payable	412,701
Long-term liabilities:	
Due within one year.	810,765
Due in more than one year:	
Net pension liability.	21,442,311
Other amounts due in more than one year .	22,772,210
Net OPEB liability.	4,642,909
Total liabilities	52,240,115
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,763,018
Pension.	840,200
OPEB	527,271
Total deferred inflows of resources	6,130,489
Net position:	
Net investment in capital assets	23,407,639
Restricted for:	
Capital projects	1,226,565
Permanent endowment.	28,679
Classroom facilities maintenance	351,367
Debt service.	5,021,222
Locally funded programs	13,658
State funded programs.	79,781
Federally funded programs	227,298
Student activities	144,124
Other purposes	1,579
Unrestricted (deficit)	(22,835,773)
Total net position.	\$ 7,666,139

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, 2018

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 3,397,617	\$ 363,635	\$ 149,373	\$ 28,990	\$ (2,855,619)
Special	999,171	16,971	1,931,238	-	949,038
Vocational	176,635	-	97,270	-	(79,365)
Other	2,887,986	-	64,678	-	(2,823,308)
Support services:					
Pupil	429,220	-	15,621	-	(413,599)
Instructional staff	548,398	-	13,899	-	(534,499)
Board of education	442,592	-	-	-	(442,592)
Administration	1,324,665	-	24,309	-	(1,300,356)
Fiscal	340,201	-	12,410	-	(327,791)
Business	55,395	-	-	-	(55,395)
Operations and maintenance	1,010,493	2,172	2,224	-	(1,006,097)
Pupil transportation	477,743	7,580	49,734	-	(420,429)
Central	1,090	-	-	-	(1,090)
Operation of non-instructional services:					
Other non-instructional services	128,947	-	265,357	-	136,410
Food service operations	576,447	176,991	599,698	-	200,242
Extracurricular activities	411,692	282,938	52,692	-	(76,062)
Interest and fiscal charges	1,180,627	-	-	-	(1,180,627)
Total governmental activities	\$ 14,388,919	\$ 850,287	\$ 3,278,503	\$ 28,990	(10,231,139)
General revenues:					
Property taxes levied for:					
General purposes					5,415,275
Debt service					914,677
Classroom facilities maintenance					97,987
Income taxes levied for debt service					1,473,467
Grants and entitlements not restricted					
to specific programs					10,373,515
Investment earnings					24,843
Miscellaneous					208,630
Total general revenues					18,508,394
Change in net position					8,277,255
Net position (deficit) at beginning of year (restated).					(611,116)
Net position at end of year					\$ 7,666,139

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,032,623	\$ 4,429,796	\$ 2,011,140	\$ 7,473,559
Receivables:				
Property taxes.	5,453,157	919,458	-	6,372,615
Income taxes.	-	529,257	-	529,257
Accrued interest.	1,098	1,970	-	3,068
Intergovernmental.	132,258	-	165,741	297,999
Prepayments.	67,819	-	-	67,819
Materials and supplies inventory.	258	-	338	596
Inventory held for resale.	-	-	2,119	2,119
Total assets.	<u>6,687,213</u>	<u>5,880,481</u>	<u>2,179,338</u>	<u>14,747,032</u>
Liabilities:				
Accounts payable.	\$ 52,317	\$ -	\$ 23,798	\$ 76,115
Accrued wages and benefits payable.	1,534,636	-	207,056	1,741,692
Compensated absences payable.	19,032	-	-	19,032
Intergovernmental payable.	58,795	7,938	2,629	69,362
Pension and postemployment obligation payable.	259,666	-	12,384	272,050
Total liabilities.	<u>1,924,446</u>	<u>7,938</u>	<u>245,867</u>	<u>2,178,251</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	4,083,653	679,365	-	4,763,018
Delinquent property tax revenue not available.	255,362	45,528	-	300,890
Income tax revenue not available.	-	126,428	-	126,428
Intergovernmental revenue not available.	23,557	-	54,782	78,339
Total deferred inflows of resources.	<u>4,362,572</u>	<u>851,321</u>	<u>54,782</u>	<u>5,268,675</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	258	-	338	596
Prepays.	67,819	-	-	67,819
Permanent fund.	-	-	28,679	28,679
Restricted:				
Debt service.	-	5,021,222	-	5,021,222
Capital improvements.	-	-	1,226,565	1,226,565
Classroom facilities maintenance.	-	-	351,367	351,367
Non-public schools.	-	-	79,781	79,781
Targeted academic assistance.	-	-	1,371	1,371
Other purposes.	-	-	97,164	97,164
Extracurricular.	-	-	144,124	144,124
Committed:				
Capital improvements.	-	-	19,416	19,416
Student and staff support.	28,514	-	-	28,514
Assigned:				
Student instruction.	17,715	-	-	17,715
Student and staff support.	270,944	-	-	270,944
School supplies.	14,945	-	-	14,945
Unassigned (deficit).	-	-	(70,116)	(70,116)
Total fund balances.	<u>400,195</u>	<u>5,021,222</u>	<u>1,878,689</u>	<u>7,300,106</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 6,687,213</u>	<u>\$ 5,880,481</u>	<u>\$ 2,179,338</u>	<u>\$ 14,747,032</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, 2018

Total governmental fund balances		\$	7,300,106
<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.			43,818,620
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	300,890	
Income taxes receivable		126,428	
Intergovernmental receivable		78,339	
Total		505,657	505,657
Unamortized premiums on bonds issued are not recognized in the funds.			(771,154)
Unamortized amounts on refundings are not recognized in the funds.			10,413
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(412,701)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - Pension		7,160,399	
Deferred Inflows - Pension		(840,200)	
Net pension liability		(21,442,311)	
Total		(15,122,112)	(15,122,112)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - OPEB		300,279	
Deferred Inflows - OPEB		(527,271)	
Net OPEB liability		(4,642,909)	
Total		(4,869,901)	(4,869,901)
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		(21,483,910)	
Capital lease obligations		(2,689)	
Loans payable		(164,372)	
Compensated absences		(1,141,818)	
Total		(22,792,789)	(22,792,789)
Net position of governmental activities		\$	7,666,139

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, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,455,066	\$ 921,099	\$ 97,987	\$ 6,474,152
Income taxes.	-	1,461,534	-	1,461,534
Tuition.	297,325	-	-	297,325
Transportation fees.	7,580	-	-	7,580
Earnings on investments	21,174	3,669	-	24,843
Charges for services	-	-	177,425	177,425
Extracurricular.	15,367	-	283,023	298,390
Classroom materials and fees	64,894	-	-	64,894
Rental income	1,738	-	-	1,738
Contributions and donations	73,765	-	70,006	143,771
Contract services.	2,935	-	-	2,935
Other local revenues	208,630	-	11,972	220,602
Intergovernmental - intermediate	472	-	25,068	25,540
Intergovernmental - state	11,083,613	178,590	286,972	11,549,175
Intergovernmental - federal	127,867	-	2,126,335	2,254,202
Total revenues	<u>17,360,426</u>	<u>2,564,892</u>	<u>3,078,788</u>	<u>23,004,106</u>
Expenditures:				
Current:				
Instruction:				
Regular.	6,438,303	-	73,132	6,511,435
Special	1,177,675	-	1,192,859	2,370,534
Vocational	237,114	-	-	237,114
Other	2,959,867	-	78,839	3,038,706
Support services:				
Pupil	686,870	-	18,866	705,736
Instructional staff.	652,959	-	6,011	658,970
Board of education	391,654	-	54,762	446,416
Administration	1,865,291	206	25,372	1,890,869
Fiscal	429,980	42,960	13,659	486,599
Business.	55,395	-	-	55,395
Operations and maintenance	1,236,166	-	157,636	1,393,802
Pupil transportation	781,295	-	4,569	785,864
Central	1,090	-	-	1,090
Operation of non-instructional services:				
Other non-instructional services.	(172)	-	200,408	200,236
Food service operations.	-	-	785,348	785,348
Extracurricular activities	440,688	-	332,580	773,268
Facilities acquisition and construction.	-	-	1,104,503	1,104,503
Debt service:				
Principal retirement.	31,238	786,153	29,334	846,725
Interest and fiscal charges	1,186	983,594	7,215	991,995
Accreted interest on capital appreciation bonds	-	88,847	-	88,847
Total expenditures	<u>17,386,599</u>	<u>1,901,760</u>	<u>4,085,093</u>	<u>23,373,452</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(26,173)</u>	<u>663,132</u>	<u>(1,006,305)</u>	<u>(369,346)</u>
Other financing sources (uses):				
Transfers in.	-	-	36,549	36,549
Transfers (out).	<u>(36,549)</u>	<u>-</u>	<u>-</u>	<u>(36,549)</u>
Total other financing sources (uses)	<u>(36,549)</u>	<u>-</u>	<u>36,549</u>	<u>-</u>
Net change in fund balances	(62,722)	663,132	(969,756)	(369,346)
Fund balances at beginning of year.	<u>462,917</u>	<u>4,358,090</u>	<u>2,848,445</u>	<u>7,669,452</u>
Fund balances at end of year.	<u>\$ 400,195</u>	<u>\$ 5,021,222</u>	<u>\$ 1,878,689</u>	<u>\$ 7,300,106</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	(369,346)
<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	\$ 1,295,117	
Current year depreciation	<u>(1,879,279)</u>	
Total		(584,162)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(46,213)	
Income taxes	11,933	
Intergovernmental	<u>(292,390)</u>	
Total		(326,670)
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	786,153	
Accreted interest on capital appreciation bonds	88,847	
Loans	29,334	
Capital leases	<u>31,238</u>	
Total		935,572
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:		
Change in accrued interest payable	6,882	
Accreted interest on capital appreciation bonds	(231,774)	
Amortization of bond premiums	50,142	
Amortization of deferred charges	<u>(13,882)</u>	
Total		(188,632)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,426,266
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		6,684,249
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		10,262
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		754,735
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>(65,019)</u>
Change in net position of governmental activities	\$	<u>8,277,255</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 5,164,723	\$ 5,281,200	\$ 5,281,640	\$ 440
Tuition	206,383	297,975	297,326	(649)
Transportation fees	5,261	7,599	7,580	(19)
Earnings on investments	16,065	23,148	23,144	(4)
Classroom materials and fees	22,722	32,797	32,735	(62)
Rental income	1,206	1,740	1,738	(2)
Contract services	2,037	2,950	2,935	(15)
Other local revenues	135,720	195,563	195,525	(38)
Intergovernmental - intermediate	328	472	472	0
Intergovernmental - state	11,031,286	10,986,082	11,026,056	39,974
Intergovernmental - federal	92,066	132,689	132,635	(54)
Total revenues	<u>16,677,797</u>	<u>16,962,215</u>	<u>17,001,786</u>	<u>39,571</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,867,775	6,287,383	6,226,850	60,533
Special	1,068,629	1,141,017	1,129,341	11,676
Vocational	217,111	236,034	233,522	2,512
Other	2,654,789	2,973,986	2,943,919	30,067
Support services:				
Pupil	725,949	672,773	665,709	7,064
Instructional staff	848,937	727,133	718,346	8,787
Board of education	424,526	386,804	382,841	3,963
Administration	1,849,110	1,868,906	1,827,570	41,336
Fiscal	433,013	446,105	441,524	4,581
Business	151,429	127,233	125,940	1,293
Operations and maintenance	1,639,665	1,334,872	1,320,194	14,678
Pupil transportation	804,072	793,135	785,647	7,488
Central	2,049	2,029	2,000	29
Extracurricular activities	358,188	436,290	431,654	4,636
Total expenditures	<u>17,045,242</u>	<u>17,433,700</u>	<u>17,235,057</u>	<u>198,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(367,445)</u>	<u>(471,485)</u>	<u>(233,271)</u>	<u>238,214</u>
Other financing sources (uses):				
Refund of prior year's expenditures	22,077	31,802	31,805	3
Transfers (out)	(117,669)	(135,903)	(134,536)	1,367
Advances in	191,580	275,977	276,000	23
Advances (out)	(358,960)	(121,220)	(120,000)	1,220
Sale of assets	9,097	13,144	13,105	(39)
Total other financing sources (uses)	<u>(253,876)</u>	<u>63,800</u>	<u>66,374</u>	<u>2,574</u>
Net change in fund balance	(621,321)	(407,685)	(166,897)	240,788
Fund balance at beginning of year	281,207	281,207	281,207	-
Prior year encumbrances appropriated	521,871	521,871	521,871	-
Fund balance at end of year	\$ 181,757	\$ 395,393	\$ 636,181	\$ 240,788

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 49,394
Total assets.	\$ 49,394
Liabilities:	
Due to students.	\$ 49,394
Total liabilities	\$ 49,394

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, 2018

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 67 non-certified employees and 115 certified full-time teaching personnel, who provide services to 1,582 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, 2018

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 2018, the District paid \$173,735 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, 2018

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, 2018

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.

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, 2018

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, 2018

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, income taxes 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 Notes 14 and 15 for deferred outflows of resources related to the District's net pension liability and net OPEB liability, respectively. 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, 2018, but which were levied to finance fiscal year 2019 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 Notes 14 and 15 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. 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, 2018

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, 2018

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

For fiscal year 2018, 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 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$21,174, of which \$17,443 was assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, 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, 2018 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, net pension liabilities, net OPEB liabilities, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

M. Net Position

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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/Other Postemployment Benefits (OPEB)

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

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. The District did not have any extraordinary or special items during fiscal year 2018.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

U. Fair 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/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements, and added required supplementary information.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 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, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 5,023,782
Deferred outflows - payments subsequent to measurement date	32,273
Net OPEB liability	(5,667,171)
Restated net position at July 1, 2017	\$ (611,116)

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

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public School Preschool	\$ (3,068)
IDEA Part B	(31,731)
Title III-Limited English Proficiency	(2,621)
Title I	(32,395)

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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, 2018

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, 2018

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, 2018, the carrying amount of all District deposits was \$6,853,357. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2018, \$6,774,140 of the District’s bank balance of \$7,024,140 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 will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the “grace period”) from the Ohio Treasurer of State to participate in the OPCS beyond June 30, 2018 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2018, none of the District’s financial institutions participated in the OPCS, because they received the extension of time to participate.

C. Investments

As of June 30, 2018, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	<u>Investment Maturities</u>
	6 months or <u>less</u>
Amortized cost:	
STAR Ohio	\$ <u>666,021</u>

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% to Total</u>
Amortized cost:		
STAR Ohio	\$ 666,021	100.00

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, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,853,357
Investments	666,021
Cash on hand	<u>3,575</u>
Total	<u>\$ 7,522,953</u>
<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 7,473,559
Agency funds	<u>49,394</u>
Total	<u>\$ 7,522,953</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 36,549
Total	<u>\$ 36,549</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$1,114,142 in the general fund and \$194,565 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$842,729 in the general fund and \$164,415 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, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 198,997,670	94.34	\$ 198,440,620	93.85
Public utility personal	<u>11,939,040</u>	<u>5.66</u>	<u>13,004,430</u>	<u>6.15</u>
Total	<u>\$ 210,936,710</u>	<u>100.00</u>	<u>\$ 211,445,050</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$51.05		\$51.05	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 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	\$ 6,372,615
Income taxes	529,257
Accrued interest	3,068
Intergovernmental	<u>297,999</u>
Total	<u>\$ 7,202,939</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 bond retirement fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL ASSETS

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 598,930	\$ 65,488	\$ -	\$ 664,418
Total capital assets, not being depreciated	<u>598,930</u>	<u>65,488</u>	<u>-</u>	<u>664,418</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,844,915	788,894	-	2,633,809
Buildings and improvements	43,527,441	239,861	-	43,767,302
Furniture and equipment	2,934,696	110,611	-	3,045,307
Vehicles	1,506,518	90,263	-	1,596,781
Educational media	1,357,505	-	-	1,357,505
Total capital assets, being depreciated	<u>51,171,075</u>	<u>1,229,629</u>	<u>-</u>	<u>52,400,704</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(413,118)	(130,106)	-	(543,224)
Buildings and improvements	(4,226,371)	(1,150,631)	-	(5,377,002)
Furniture and equipment	(1,039,037)	(287,396)	-	(1,326,433)
Vehicles	(1,123,070)	(84,895)	-	(1,207,965)
Educational media	(565,627)	(226,251)	-	(791,878)
Total accumulated depreciation	<u>(7,367,223)</u>	<u>(1,879,279)</u>	<u>-</u>	<u>(9,246,502)</u>
Governmental activities capital assets, net	<u>\$ 44,402,782</u>	<u>\$ (584,162)</u>	<u>\$ -</u>	<u>\$ 43,818,620</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,288,917
Special	44,173
Vocational	43,709
<u>Support services:</u>	
Pupil	22,863
Instructional staff	79,814
Board of education	1,039
Administration	217,597
Operations and maintenance	53,820
Pupil transportation	84,895
Operation of non-instructional services	6,875
Extracurricular activities	23,459
Food service operations	<u>12,118</u>
Total depreciation expense	<u>\$ 1,879,279</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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. The assets were fully depreciated as of June 30, 2018. A corresponding liability was recorded in the statement of net position. Principal payments in the 2018 fiscal year totaled \$31,238. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liability on the statement of net position.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	<u>2,702</u>
Total minimum lease payment	2,702
Less: amount representing interest	<u>(13)</u>
Present value of minimum lease payments	<u>\$ 2,689</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, 2018

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Issued	Due	Interest Rate	Restated Balance 07/01/17	Increase	Decrease	Balance 06/30/18	Amount Due in One Year
<u>G.O. Bonds Payable</u>								
School improvement refunding	2004	2020	Variable	\$ 785,000	\$ -	\$ (250,000)	\$ 535,000	\$ 260,000
Library improvement bonds	2015	2030	4.00%	1,410,000	-	(110,000)	1,300,000	110,000
Series 2011 A	2012	2044	Variable					
Current interest				10,410,000	-	-	10,410,000	-
Capital appreciation				15,948	-	(6,153)	9,795	4,034
Accreted interest				240,595	84,775	(88,847)	236,523	90,966
Series 2011 B	2012	2044	Variable					
Current interest				8,885,000	-	(420,000)	8,465,000	250,000
Capital appreciation				63,384	-	-	63,384	-
Accreted interest				317,209	146,999	-	464,208	-
Total G.O. bonds				<u>22,127,136</u>	<u>231,774</u>	<u>(875,000)</u>	<u>21,483,910</u>	<u>715,000</u>
<u>Loans Payable</u>								
Capital improvement	2013	2023	4.00%	<u>193,706</u>	<u>-</u>	<u>(29,334)</u>	<u>164,372</u>	<u>30,529</u>
Total loans payable				<u>193,706</u>	<u>-</u>	<u>(29,334)</u>	<u>164,372</u>	<u>30,529</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				33,927	-	(31,238)	2,689	2,689
Net pension liability				28,608,452	-	(7,166,141)	21,442,311	-
Net OPEB liability				5,667,171	-	(1,024,262)	4,642,909	-
Compensated absences				<u>1,083,910</u>	<u>124,992</u>	<u>(48,052)</u>	<u>1,160,850</u>	<u>62,547</u>
Total other long-term obligations				<u>35,393,460</u>	<u>124,992</u>	<u>(8,269,693)</u>	<u>27,248,759</u>	<u>65,236</u>
Total governmental activities				<u>\$ 57,714,302</u>	<u>\$ 356,766</u>	<u>\$ (9,174,027)</u>	<u>48,897,041</u>	<u>\$ 810,765</u>
Add: unamortized premium on bonds							771,154	
Total on statement of net position							<u>\$ 49,668,195</u>	

Net Pension Liability - The District's net pension liability is described in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability - The District's net OPEB liability is described in Note 15. The District pays obligations related to employee compensation from the fund benefitting from their services.

School Improvement Refunding Bonds - On April 15, 2004, the District issued general obligation bonds to refund the callable portion of the Series 1994 School Improvement General Obligation Bonds. The final maturity stated in the issue is December 1, 2019. Payments of principal and interest related to this bond will be recorded as an expenditure in the bond retirement fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 \$1,410,000. Total accreted interest of \$700,731 has been included in the statement of net position at June 30, 2018.

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>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 capital improvement loans are being retired from the building 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).

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	Current Interest			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
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	675,000	914,769	1,589,769	-	-	-
2023	720,000	887,768	1,607,768	-	-	-
2024 - 2028	4,165,000	3,971,512	8,136,512	-	-	-
2029 - 2033	5,130,000	2,975,950	8,105,950	-	-	-
2034 - 2038	4,125,000	1,723,500	5,848,500	-	-	-
2039 - 2043	3,810,000	839,250	4,649,250	-	-	-
2044	970,000	48,500	1,018,500	-	-	-
Total	<u>\$ 20,710,000</u>	<u>\$ 14,170,649</u>	<u>\$ 34,880,649</u>	<u>\$ 73,179</u>	<u>\$ 1,336,821</u>	<u>\$ 1,410,000</u>

Fiscal Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2019	\$ 30,529	\$ 6,019	\$ 36,548
2020	31,773	4,775	36,548
2021	33,068	3,481	36,549
2022	34,415	2,134	36,549
2023	34,587	732	35,319
Total	<u>\$ 164,372</u>	<u>\$ 17,141</u>	<u>\$ 181,513</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, are a voted debt margin of \$13,096,482 (including available funds of \$5,021,222), an unvoted debt margin of \$211,445 and an unvoted energy conservation debt margin of \$1,903,005.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 2018, 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	\$60,360,500
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 fiscal years. There was no significant reduction in coverage from the prior year.

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, 2018

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 2018, 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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 years 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.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$277,064 for fiscal year 2018. Of this amount, \$17,231 is reported as pension and postemployment obligation payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. For fiscal year 2018, plan members were required to contribute 14 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 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,149,202 for fiscal year 2018. Of this amount, \$220,368 is reported as pension and postemployment obligation payable.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.06367470%	0.07154435%	
Proportion of the net pension liability current measurement date	<u>0.06447300%</u>	<u>0.07404771%</u>	
Change in proportionate share	<u>0.00079830%</u>	<u>0.00250336%</u>	
Proportionate share of the net pension liability	\$ 3,852,119	\$ 17,590,192	\$ 21,442,311
Pension expense	\$ (86,074)	\$ (6,598,175)	\$ (6,684,249)

At June 30, 2018, 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	\$ 165,780	\$ 679,247	\$ 845,027
Changes of assumptions	199,195	3,847,168	4,046,363
Difference between District contributions and proportionate share of contributions/ change in proportionate share	102,890	739,853	842,743
District contributions subsequent to the measurement date	<u>277,064</u>	<u>1,149,202</u>	<u>1,426,266</u>
Total deferred outflows of resources	<u>\$ 744,929</u>	<u>\$ 6,415,470</u>	<u>\$ 7,160,399</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 141,770	\$ 141,770
Net difference between projected and actual earnings on pension plan investments	18,286	580,498	598,784
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>-</u>	<u>99,646</u>	<u>99,646</u>
Total deferred inflows of resources	<u>\$ 18,286</u>	<u>\$ 821,914</u>	<u>\$ 840,200</u>

\$1,426,266 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 207,067	\$ 985,416	\$ 1,192,483
2020	268,011	1,775,088	2,043,099
2021	64,301	1,233,578	1,297,879
2022	<u>(89,800)</u>	<u>450,272</u>	<u>360,472</u>
Total	<u>\$ 449,579</u>	<u>\$ 4,444,354</u>	<u>\$ 4,893,933</u>

Actuarial Assumptions - SERS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 5,345,741	\$ 3,852,119	\$ 2,600,907

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 25,214,942	\$ 17,590,192	\$ 11,167,483

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the District's surcharge obligation was \$0.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$10,262 for fiscal year 2018. Of this amount, \$638 is reported as pension and postemployment obligation payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.06458674%	0.07154435%	
Proportion of the net OPEB liability current measurement date	<u>0.06535070%</u>	<u>0.07404771%</u>	
Change in proportionate share	<u>0.00076396%</u>	<u>0.00250336%</u>	
Proportionate share of the net OPEB liability	\$ 1,753,841	\$ 2,889,068	\$ 4,642,909
OPEB expense	\$ 107,727	\$ (862,462)	\$ (754,735)

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 166,775	\$ 166,775
Difference between District contributions and proportionate share of contributions/ change in proportionate share	8,487	114,755	123,242
District contributions subsequent to the measurement date	10,262	-	10,262
Total deferred outflows of resources	\$ 18,749	\$ 281,530	\$ 300,279
	SERS	STRS	Total
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 4,631	\$ 123,486	\$ 128,117
Changes of assumptions	166,430	232,724	399,154
Total deferred inflows of resources	\$ 171,061	\$ 356,210	\$ 527,271

\$10,262 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (58,384)	\$ (22,736)	\$ (81,120)
2020	(58,384)	(22,736)	(81,120)
2021	(44,649)	(22,736)	(67,385)
2022	(1,157)	(22,736)	(23,893)
2023	-	8,132	8,132
Thereafter	-	8,132	8,132
Total	\$ (162,574)	\$ (74,680)	\$ (237,254)

**WILLARD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 2,117,986	\$ 1,753,841	\$ 1,465,345

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,423,111	\$ 1,753,841	\$ 2,191,569

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 3,878,528	\$ 2,889,068	\$ 2,107,072
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,007,201	\$ 2,889,068	\$ 4,049,709

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (166,897)
Net adjustment for revenue accruals	237,349
Net adjustment for expenditure accruals	(373,998)
Net adjustment for other sources/uses	(102,923)
Funds budgeted elsewhere	35,000
Adjustment for encumbrances	308,747
GAAP basis	\$ (62,722)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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 \$20,659,470 at June 30, 2018.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 18 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	279,839
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(107,779)
Excess qualified expenditures from prior years	-
Current year offsets	(97,987)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(74,073)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 296,165
Other governmental	<u>396,513</u>
Total	<u>\$ 692,678</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 FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06447300%	0.06367470%	0.06139660%	0.06066300%	0.06066300%
District's proportionate share of the net pension liability	\$ 3,852,119	\$ 4,660,401	\$ 3,503,350	\$ 3,070,120	\$ 3,607,434
District's covered payroll	\$ 2,030,007	\$ 2,108,336	\$ 1,963,354	\$ 1,780,541	\$ 1,791,142
District's proportionate share of the net pension liability as a percentage of its covered payroll	189.76%	221.05%	178.44%	172.43%	201.40%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE 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
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07404771%	0.07154435%	0.07216772%	0.07072092%	0.07072092%
District's proportionate share of the net pension liability	\$ 17,590,192	\$ 23,948,051	\$ 19,945,047	\$ 17,201,775	\$ 20,490,642
District's covered payroll	\$ 8,064,550	\$ 7,604,571	\$ 7,573,943	\$ 7,781,546	\$ 8,108,815
District's proportionate share of the net pension liability as a percentage of its covered payroll	218.12%	314.92%	263.34%	221.06%	252.70%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 277,064	\$ 284,201	\$ 295,167	\$ 258,770
Contributions in relation to the contractually required contribution	<u>(277,064)</u>	<u>(284,201)</u>	<u>(295,167)</u>	<u>(258,770)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,052,326	\$ 2,030,007	\$ 2,108,336	\$ 1,963,354
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 246,783	\$ 247,894	\$ 277,465	\$ 259,770	\$ 290,185	\$ 205,094
<u>(246,783)</u>	<u>(247,894)</u>	<u>(277,465)</u>	<u>(259,770)</u>	<u>(290,185)</u>	<u>(205,094)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,780,541	\$ 1,791,142	\$ 2,062,937	\$ 2,066,587	\$ 2,143,168	\$ 2,084,289
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,149,202	\$ 1,129,037	\$ 1,064,640	\$ 1,060,352
Contributions in relation to the contractually required contribution	<u>(1,149,202)</u>	<u>(1,129,037)</u>	<u>(1,064,640)</u>	<u>(1,060,352)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,208,586	\$ 8,064,550	\$ 7,604,571	\$ 7,573,943
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,011,601	\$ 1,054,146	\$ 1,118,573	\$ 1,096,264	\$ 1,149,852	\$ 1,134,302
<u>(1,011,601)</u>	<u>(1,054,146)</u>	<u>(1,118,573)</u>	<u>(1,096,264)</u>	<u>(1,149,852)</u>	<u>(1,134,302)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,781,546	\$ 8,108,815	\$ 8,604,408	\$ 8,432,800	\$ 8,845,015	\$ 8,725,400
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.06535070%	0.06458674%
District's proportionate share of the net OPEB liability	\$ 1,753,841	\$ 1,840,961
District's covered payroll	\$ 2,030,007	\$ 2,108,336
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	86.40%	87.32%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE 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 OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.07404771%	0.07154435%
District's proportionate share of the net OPEB liability	\$ 2,889,068	\$ 3,826,210
District's covered payroll	\$ 8,064,550	\$ 7,604,571
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.82%	50.31%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 10,262	\$ 35,273	\$ 32,936	\$ 46,107
Contributions in relation to the contractually required contribution	<u>(10,262)</u>	<u>(35,273)</u>	<u>(32,936)</u>	<u>(46,107)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,052,326	\$ 2,030,007	\$ 2,108,336	\$ 1,963,354
Contributions as a percentage of covered payroll	0.50%	1.74%	1.56%	2.35%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 35,871	\$ 35,272	\$ 44,731	\$ 74,229	\$ 42,794	\$ 127,740
<u>(35,871)</u>	<u>(35,272)</u>	<u>(44,731)</u>	<u>(74,229)</u>	<u>(42,794)</u>	<u>(127,740)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,780,541	\$ 1,791,142	\$ 2,062,937	\$ 2,066,587	\$ 2,143,168	\$ 2,084,289
2.01%	1.97%	2.17%	3.59%	2.00%	6.13%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,208,586	\$ 8,064,550	\$ 7,604,571	\$ 7,573,943
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 77,815	\$ 81,088	\$ 86,044	\$ 84,328	\$ 88,450	\$ 87,254
<u>(77,815)</u>	<u>(81,088)</u>	<u>(86,044)</u>	<u>(84,328)</u>	<u>(88,450)</u>	<u>(87,254)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,781,546	\$ 8,108,815	\$ 8,604,408	\$ 8,432,800	\$ 8,845,015	\$ 8,725,400
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

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 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

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 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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SUPPLEMENTARY INFORMATION

**WILLARD CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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			
(C) Child Nutrition Cluster: School Breakfast Program	10.553	2018	\$ 99,364
(C) National School Lunch Program	10.555	2018	445,824
(D) National School Lunch Program - Food Donation	10.555	2018	43,408
Total National School Lunch Program			<u>489,232</u>
(C) Special Milk Program for Children	10.556	2018	957
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>589,553</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2017	147,685
Title I Grants to Local Educational Agencies	84.010	2018	410,187
Total Title I Grants to Local Educational Agencies			<u>557,872</u>
Migrant Education_State Grant Program	84.011	2017	148,201
Migrant Education_State Grant Program	84.011	2018	142,266
Total Migrant Education_State Grant Program			<u>290,467</u>
Special Education Cluster:			
Special Education_Grants to States	84.027	2017	28,145
Special Education_Grants to States	84.027	2018	343,751
Total Special Education_Grants to States			<u>371,896</u>
Special Education_Preschool Grants	84.173	2017	3,098
Special Education_Preschool Grants	84.173	2018	9,569
Total Special Education_Preschool Grants			<u>12,667</u>
Total Special Education Cluster			<u>384,563</u>
Rural Education	84.358	2017	4,029
Rural Education	84.358	2018	31,836
Total Rural Education			<u>35,865</u>
English Language Acquisition State Grants	84.365	2017	4,495
English Language Acquisition State Grants	84.365	2018	49,973
Total English Language Acquisition State Grants			<u>54,468</u>
Supporting Effective Instruction State Grants	84.367	2017	570
Supporting Effective Instruction State Grants	84.367	2018	71,366
Total Supporting Effective Instruction State Grants			<u>71,936</u>
Title IV-A Student Support and Academic Enrichment Program	84.424A	2018	10,754
Total U.S. Department of Education			<u>1,405,925</u>
Total Federal Financial Assistance			<u>\$ 1,995,478</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (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, 2018 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 or changes in net position 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) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) 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 not elected 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, 2018, 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 18, 2018, wherein we noted as discussed in Note 3, the Willard City School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Willard City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 report is not suitable for any other purpose.

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

Julian & Grube, Inc.
December 18, 2018



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 on Compliance with Requirements Applicable to the 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 the 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 the Willard City School District's major federal program for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Willard City School District's major federal program.

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 the Willard City School District's major federal program 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 the Willard City School District's major program. However, our audit does not provide a legal determination of the Willard City School District's compliance.

Opinion on the 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 its major federal program for the fiscal year ended June 30, 2018.

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 18, 2018

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2017	<u>Significant Deficiency - Financial Statement Presentation</u> - A monitoring system by the Treasurer and Board of Education should be in place to prevent or detect material misstatements for the accurate presentation of the District's financial statements. The District had several audit adjustments.	Corrective Action Taken and Finding is Fully Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



WILLARD CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 24, 2019**