

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

CYNDI SHOUP, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Willard City School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 23, 2013

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Willard City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Willard City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the Willard City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Julian & Grube, Inc.
November 29, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities increased \$30,410,528 which represents a 578.99% increase from 2011.
- General revenues accounted for \$47,634,417 in revenue or 92.31% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,970,512 or 7.69% of total revenues of \$51,604,929.
- The District had \$21,194,401 in expenses related to governmental activities; only \$3,970,512 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 \$47,634,417 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$15,038,034 in revenues and other financing sources and \$15,840,745 in expenditures and other financing uses. During fiscal 2012, the general fund's fund balance decreased \$802,711 from a balance of \$1,087,750 to \$285,039.
- The District's other major governmental fund, the classroom facilities fund, had \$19,644,335 in revenues and other financing sources and \$1,054,012 in expenditures. During fiscal 2012, the classroom facilities fund's fund balance increased \$18,590,323 from a zero balance to \$18,590,323.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-52 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 62,977,980	\$ 10,692,695
Capital assets, net	<u>6,287,940</u>	<u>5,164,426</u>
Total assets	<u>69,265,920</u>	<u>15,857,121</u>
<u>Liabilities</u>		
Current liabilities	8,282,001	6,941,882
Long-term liabilities	<u>25,321,017</u>	<u>3,662,865</u>
Total liabilities	<u>33,603,018</u>	<u>10,604,747</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,494,820	2,587,827
Restricted	33,551,764	2,046,857
Unrestricted (deficit)	<u>(383,682)</u>	<u>617,690</u>
Total net assets	<u>\$ 35,662,902</u>	<u>\$ 5,252,374</u>

Net assets increased \$30,410,528 or 578.99%, due to a significant increase in intergovernmental receivables. At year end the State owed the District \$32,018,980 for their share of the Ohio School Facilities Commission (OSFC) project.

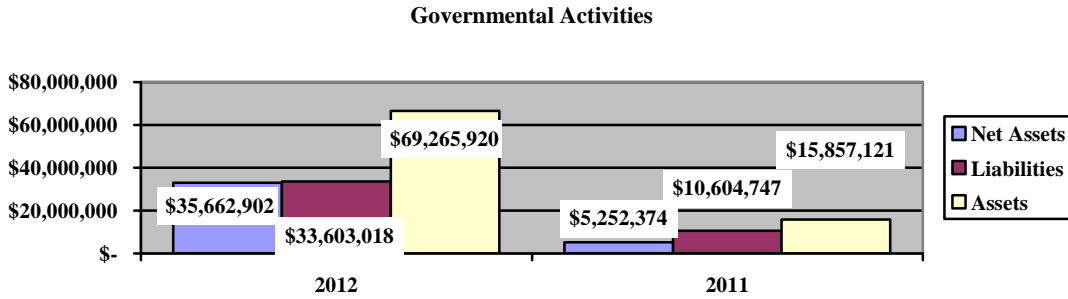
At year-end, capital assets represented 9.08% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$2,494,820. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$33,551,764, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, a deficit of \$383,682, may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 816,063	\$ 897,029
Operating grants and contributions	3,076,443	4,784,353
Capital grants and contributions	78,006	-
General revenues:		
Property taxes	4,792,891	5,492,231
Income taxes	271,515	-
Grants and entitlements	42,402,886	9,983,146
Investment earnings	7,513	15,309
Other	<u>159,612</u>	<u>103,926</u>
Total revenues	<u>51,604,929</u>	<u>21,275,994</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Change in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,686,636	\$ 7,789,657
Special	1,623,741	1,743,794
Vocational	211,073	212,971
Other	2,236,454	2,323,559
Support services:		
Pupil	794,018	804,397
Instructional staff	707,270	573,644
Board of education	461,595	438,862
Administration	1,809,946	1,881,880
Fiscal	296,001	404,498
Business	44,909	50,213
Operations and maintenance	1,233,843	1,321,134
Pupil transportation	858,452	899,333
Central	4,028	4,962
Operations of non-instructional services:		
Other non-instructional services	210,084	214,968
Food service operations	940,163	905,917
Extracurricular activities	603,001	630,680
Interest and fiscal charges	<u>1,473,187</u>	<u>153,577</u>
Total expenses	<u>21,194,401</u>	<u>20,354,046</u>
Change in net assets	30,410,528	921,948
Net assets at beginning of year	<u>5,252,374</u>	<u>4,330,426</u>
Net assets at end of year	<u>\$ 35,662,902</u>	<u>\$ 5,252,374</u>

Governmental Activities

Net assets of the District's governmental activities increased \$30,410,528. Total governmental expenses of \$21,194,401 were offset by program revenues of \$3,970,512 and general revenues of \$47,634,417. Program revenues supported 18.73% of the total governmental expenses.

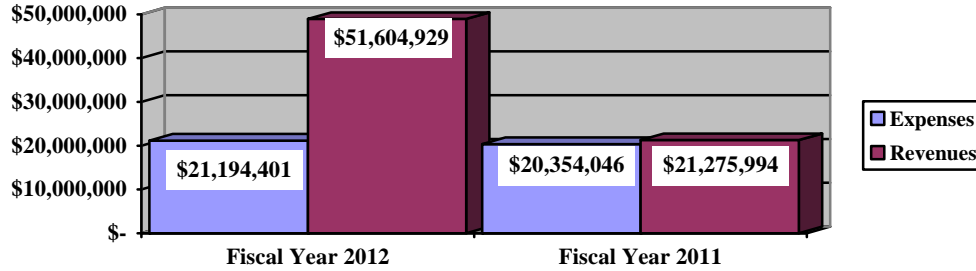
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 28.93% of total governmental revenue. Real estate property is reappraised every six years. The increase in expenditures is primarily due to an increase in interest and fiscal charges related to the District's \$20,997,197 bond issue during the current fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 7,686,636	\$ 7,096,179	\$ 7,789,657	\$ 6,156,336
Special	1,623,741	201,468	1,743,794	(144,290)
Vocational	211,073	172,670	212,971	174,568
Other	2,236,454	1,920,520	2,323,559	1,824,027
Support services:				
Pupil	794,018	794,018	804,397	796,324
Instructional staff	707,270	633,662	573,644	557,355
Board of education	461,595	461,595	438,862	438,862
Administration	1,809,946	1,764,652	1,881,880	1,738,839
Fiscal	296,001	293,632	404,498	404,498
Business	44,909	44,909	50,213	50,213
Operations and maintenance	1,233,843	1,226,848	1,321,134	1,312,797
Pupil transportation	858,452	822,238	899,333	808,212
Central	4,028	4,028	4,962	4,962
Operations of non-instructional services:				
Other non-instructional services	210,084	1,574	214,968	(2,439)
Food service operations	940,163	(20,177)	905,917	50,614
Extracurricular activities	603,001	332,886	630,680	348,209
Interest and fiscal charges	1,473,187	1,473,187	153,577	153,577
Total expenses	<u>\$ 21,194,401</u>	<u>\$ 17,223,889</u>	<u>\$ 20,354,046</u>	<u>\$ 14,672,664</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The dependence upon tax and other general revenues for governmental activities is apparent, 79.87 % of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.27%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students. The increase in general revenues is a result of the \$32,538,753 in revenue related to the Ohio School Facilities Commission project.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$22,104,151, which is \$19,553,407 greater than last year's total of \$2,550,744. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Increase /</u> <u>(Decrease)</u>
General	\$ 285,039	\$ 1,087,750	\$ (802,711)
Classroom facilities	18,590,323	-	18,590,323
Other governmental	<u>3,228,789</u>	<u>1,462,994</u>	<u>1,765,795</u>
Total	<u>\$ 22,104,151</u>	<u>\$ 2,550,744</u>	<u>\$ 19,553,407</u>

General Fund

The District's general fund, fund balance decreased by \$802,711. The table on the following page assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,093,291	\$ 5,133,236	(20.26) %
Tuition and fees	222,758	240,754	(7.47) %
Earnings on investments	7,513	14,720	(48.96) %
Intergovernmental	10,448,585	10,648,569	(1.88) %
Other revenues	<u>244,322</u>	<u>190,592</u>	28.19 %
Total	<u>\$ 15,016,469</u>	<u>\$ 16,227,871</u>	(7.46) %
<u>Expenditures</u>			
Instruction	\$ 9,506,065	\$ 9,824,013	(3.24) %
Support services	5,857,578	6,010,778	(2.55) %
Extracurricular activities	333,041	334,664	(0.48) %
Capital outlay	-	130,086	(100.00) %
Debt service	<u>85,813</u>	<u>78,103</u>	9.87 %
Total	<u>\$ 15,782,497</u>	<u>\$ 16,377,644</u>	(3.63) %

The decrease in taxes of \$1,039,945 or 20.26% is due in part to a decrease in the amount of taxes available for advance. This can fluctuate due to the timing of the tax bills sent from the County. Interest revenue decreased due to lower interest rates on the District's investments. The District implemented cost saving measures which resulted in an overall decrease in general fund expenditures.

Classroom Facilities Fund

The District's classroom facilities fund had \$19,644,335 in revenues and other financing sources and \$1,054,012 in expenditures. During fiscal 2012, the classroom facilities fund's fund balance increased \$18,590,323 from a zero balance to \$18,590,323.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$16,105,811, which was \$1,795,189 lower than the original budgeted revenues and other financing sources estimate of \$17,901,000. Actual revenues and other financing sources for fiscal 2012 was \$16,105,811. This was the same as the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,990,000 were decreased to \$17,699,156 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$17,634,375, which was \$64,781 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$6,287,940 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2012 balances compared to 2011:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 174,448	\$ 174,448
Construction in progress	1,096,977	-
Land improvements	441,312	218,970
Building and improvements	3,104,897	3,284,315
Furniture and equipment	1,012,424	959,692
Vehicles	<u>457,882</u>	<u>527,001</u>
Total	<u>\$ 6,287,940</u>	<u>\$ 5,164,426</u>

The District acquired \$1,672,831 in capital asset additions during fiscal year 2012. Total disposals to capital assets for 2012 were \$39,903 (net of accumulated depreciation). The District recorded \$509,414 in depreciation expense for fiscal year 2012.

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

Debt Administration

At June 30, 2012, the District had \$23,232,301 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$326,929 is due within one year and \$22,905,372 is due in greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds:		
Refunded elementary school renovation	\$ 1,820,000	\$ 1,990,000
Series 2011 A	10,517,993	-
Series 2011 B	10,509,350	-
Loans payable:		
Energy conservation	176,448	222,560
Capital improvement loan	74,747	97,724
Capital lease obligations	<u>133,763</u>	<u>205,719</u>
Total	<u>\$ 23,232,301</u>	<u>\$ 2,516,003</u>

During the current fiscal year, 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 2044 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 2020 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, 2012, the District's overall legal debt margin was \$7,102,555 with an unvoted debt margin of \$197,568 and an energy conservation debt margin of \$1,601,660.

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

Current Financial Related Activities

Although Willard City Schools continues to be very frugal, we experienced deficit spending of \$625,828 for fiscal year 2012. On June 30, 2012, our unencumbered general fund balance was \$606,147. In June, 2012, we had a large reduction in force that will save the district over \$952,000 per year in wages and benefits. Unfortunately our enrollment continues to decline and property valuations continue to drop. Delinquent taxes also continue to be a major concern for our District. The recent economic downturn has caused us to be very conservative in our revenue estimates. Our enrollment as of September 1, 2011 was 1830 students and currently it is 1792, down 38 students, which is also a concern.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Overall, salaries and benefits will see a large decrease in fiscal year 2013 due to the current reduction in force. We hope to see a decrease in purchased services as well. With a 20% budget cut in supplies, we anticipate spending less on supplies and materials. Also, we will be spending less on capital outlay as we are currently in the process of building a new school in conjunction with the Ohio School Facilities. Increased utility costs, as well as increased costs for special education due to additional students, continue to be a concern for our District and will be monitored closely. Our expenditure per pupil is still significantly lower than the state average and we will continue to try and keep the cost per pupil as low as possible, while still meeting the needs of our students. In 2010, we renewed our current 5 year operating levy for 5.4 mils in order to continue collections.

The City of Willard is in the midst of a rebuilding process which includes a new hospital and a new K-12 educational facility. Willard has a rich tradition of educational excellence and strong athletic teams. The District is approximately ninety square miles in size and has an enrollment of 1,673 students.

The District is continually striving for excellence. While the district is coming off an *Excellent* rating on the 2011 report card, we are expecting to take a step back on the 2012 report card, with an *Effective* rating, meeting 19 of 26 indicators. Grades 4, 5, and 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 2012-2013 school year will be that of literacy. The District will reconvene the District Leadership Team in the Ohio Improvement Process and look at the available data to set upcoming educational goals. The teachers and administrators are currently working together to formulate plans for the Ohio Teacher Evaluation System, the Resident Educator Process, and implementing Virtual Learning. The administration is working on improving the Walk-Through Evaluation process, and the Race to the Top Committee is focusing on formative assessments.

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 23,636,141
Receivables:	
Property taxes	6,365,731
Income taxes.	186,957
Accounts.	21,562
Accrued interest	140,982
Intergovernmental	32,197,781
Prepayments	64,923
Materials and supplies inventory.	66,752
Unamortized bond issuance costs	297,151
Capital assets:	
Land and construction in progress.	1,271,425
Depreciable capital assets, net.	5,016,515
Capital assets, net	6,287,940
 Total assets.	 69,265,920
 Liabilities:	
Accounts payable.	99,550
Contracts payable.	445,387
Accrued wages and benefits	1,824,623
Pension obligation payable.	345,026
Intergovernmental payable	81,335
Unearned revenue	5,050,696
Accrued interest payable	435,384
Long-term liabilities:	
Due within one year.	361,783
Due in more than one year.	24,959,234
Total long-term liabilities.	25,321,017
 Total liabilities	 33,603,018
 Net Assets:	
Invested in capital assets, net of related debt.	2,494,820
Restricted for:	
Capital projects	31,992,881
Permanent endowment.	779
Debt service.	1,272,476
Locally funded programs	3,716
State funded programs.	31,127
Federally funded programs	24,589
Student activities	141,786
Other purposes	84,410
Unrestricted (deficit).	(383,682)
Total restricted net assets.	35,054,906
 Total net assets	 \$ 35,662,902

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, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 7,686,636	\$ 278,185	\$ 259,266	\$ 53,006	\$ (7,096,179)
Special	1,623,741	11,548	1,410,725	-	(201,468)
Vocational	211,073	-	38,403	-	(172,670)
Other	2,236,454	-	315,934	-	(1,920,520)
Support services:					
Pupil	794,018	-	-	-	(794,018)
Instructional staff	707,270	-	73,608	-	(633,662)
Board of education	461,595	-	-	-	(461,595)
Administration	1,809,946	-	20,294	25,000	(1,764,652)
Fiscal	296,001	-	2,369	-	(293,632)
Business	44,909	-	-	-	(44,909)
Operations and maintenance	1,233,843	6,056	939	-	(1,226,848)
Pupil transportation	858,452	11,813	24,401	-	(822,238)
Central	4,028	-	-	-	(4,028)
Operation of non-instructional services:					
Other non-instructional services	210,084	-	208,510	-	(1,574)
Food service operations	940,163	279,688	680,652	-	20,177
Extracurricular activities	603,001	228,773	41,342	-	(332,886)
Interest and fiscal charges	1,473,187	-	-	-	(1,473,187)
Totals	\$ 21,194,401	\$ 816,063	\$ 3,076,443	\$ 78,006	(17,223,889)
General Revenues:					
Property taxes levied for:					
General purposes					4,117,543
Debt service					541,874
Capital outlay					133,474
Income taxes levied for:					
Debt service					271,515
Grants and entitlements not restricted to specific programs					
Grants and entitlements restricted for Ohio School Facilities Commission					9,864,133
Investment earnings					32,538,753
Miscellaneous					7,513
					159,612
Total general revenues					47,634,417
Change in net assets					30,410,528
Net assets at beginning of year					5,252,374
Net assets at end of year					\$ 35,662,902

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,522,858	\$ 18,588,874	\$ 3,524,409	\$ 23,636,141
Receivables:				
Property taxes.	5,450,154	-	915,577	6,365,731
Income taxes.	-	-	186,957	186,957
Accounts.	11,906	-	9,656	21,562
Accrued interest.	-	140,982	-	140,982
Intergovernmental.	79,027	32,018,980	99,774	32,197,781
Prepayments.	64,923	-	-	64,923
Materials and supplies inventory.	60,055	-	6,697	66,752
Total assets.	<u>\$ 7,188,923</u>	<u>\$ 50,748,836</u>	<u>\$ 4,743,070</u>	<u>\$ 62,680,829</u>
Liabilities:				
Accounts payable.	\$ 62,405	\$ -	\$ 37,145	\$ 99,550
Contracts payable.	-	112,000	333,387	445,387
Accrued wages and benefits.	1,622,070	-	202,553	1,824,623
Compensated absences payable.	-	-	1,510	1,510
Intergovernmental payable.	73,028	-	8,307	81,335
Unearned revenue.	4,336,913	-	713,783	5,050,696
Deferred revenue.	499,924	32,046,513	182,114	32,728,551
Pension obligation payable.	309,544	-	35,482	345,026
Total liabilities.	<u>6,903,884</u>	<u>32,158,513</u>	<u>1,514,281</u>	<u>40,576,678</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	60,055	-	6,697	66,752
Prepays.	64,923	-	-	64,923
Permanent fund.	-	-	779	779
Restricted:				
Debt service.	-	-	1,640,287	1,640,287
Capital improvements.	-	18,590,323	81,300	18,671,623
Food service operations.	-	-	103,259	103,259
Non-public schools.	-	-	28,504	28,504
Extracurricular.	-	-	141,786	141,786
Other purposes.	-	-	17,544	17,544
Committed:				
Capital improvements.	-	-	1,350,163	1,350,163
Student and staff support.	23,464	-	-	23,464
Student instruction.	7,998	-	-	7,998
Assigned:				
Student instruction.	55,828	-	-	55,828
Student and staff support.	68,558	-	-	68,558
Other purposes.	4,213	-	-	4,213
Unassigned (deficit).	-	-	(141,530)	(141,530)
Total fund balances.	<u>285,039</u>	<u>18,590,323</u>	<u>3,228,789</u>	<u>22,104,151</u>
Total liabilities and fund balances.	<u>\$ 7,188,923</u>	<u>\$ 50,748,836</u>	<u>\$ 4,743,070</u>	<u>\$ 62,680,829</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	22,104,151
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			6,287,940
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	536,900	
Accrued interest receivable		27,533	
Intergovernmental receivable		32,164,118	
Total		32,164,118	32,728,551
Bond issuance costs are not recognized in the funds.			297,151
Unamortized premiums on bond issuance costs are not recognized in the funds.			(1,072,006)
Unamortized deferred charges on refundings are not recognized in the funds.			93,705
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(435,384)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(22,847,343)	
Capital lease obligations		(133,763)	
Compensated absences		(1,108,905)	
Loans payable		(251,195)	
Total		(24,341,206)	(24,341,206)
Net assets of governmental activities		\$	35,662,902

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, 2012

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 4,093,291	\$ -	\$ 621,555	\$ 4,714,846
Income taxes.	-	-	271,515	271,515
Tuition.	210,945	-	-	210,945
Transportation fees.	11,813	-	-	11,813
Earnings on investments	7,513	24,500	973	32,986
Charges for services	-	-	279,688	279,688
Extracurricular.	47,602	-	228,907	276,509
Classroom materials and fees	29,537	-	-	29,537
Rental income	6,056	-	-	6,056
Contributions and donations	75	-	28,534	28,609
Contract services.	1,335	-	-	1,335
Other local revenues	159,717	-	37,832	197,549
Intergovernmental - intermediate	472	-	7,625	8,097
Intergovernmental - state	10,303,246	519,773	312,675	11,135,694
Intergovernmental - federal	144,867	-	2,643,468	2,788,335
Total revenues	<u>15,016,469</u>	<u>544,273</u>	<u>4,432,772</u>	<u>19,993,514</u>
Expenditures:				
Current:				
Instruction:				
Regular.	6,686,921	-	712,898	7,399,819
Special	754,644	-	883,581	1,638,225
Vocational	205,384	-	-	205,384
Other	1,859,116	-	373,684	2,232,800
Support services:				
Pupil	809,791	-	-	809,791
Instructional staff	576,494	-	80,244	656,738
Board of education	460,595	-	-	460,595
Administration	1,697,475	-	32,987	1,730,462
Fiscal	283,969	-	12,723	296,692
Business.	35,627	-	-	35,627
Operations and maintenance	1,216,155	-	1,936	1,218,091
Pupil transportation	773,444	-	2,401	775,845
Central	4,028	-	-	4,028
Operation of non-instructional services:				
Other non-instructional services	-	-	207,871	207,871
Food service operations	-	-	925,933	925,933
Extracurricular activities	333,041	-	259,746	592,787
Facilities acquisition and construction.	-	959,155	662,373	1,621,528
Debt service:				
Principal retirement.	71,956	-	239,089	311,045
Interest and fiscal charges	13,857	-	1,022,988	1,036,845
Bond issuance costs	-	94,857	156,401	251,258
Total expenditures	<u>15,782,497</u>	<u>1,054,012</u>	<u>5,574,855</u>	<u>22,411,364</u>
Excess of expenditures over revenues	<u>(766,028)</u>	<u>(509,739)</u>	<u>(1,142,083)</u>	<u>(2,417,850)</u>
Other financing sources (uses):				
Premium on bonds sold	-	-	951,595	951,595
Sale of bonds.	-	19,100,062	1,897,135	20,997,197
Sale of capital assets	21,565	-	900	22,465
Transfers in.	-	-	58,248	58,248
Transfers (out)	(58,248)	-	-	(58,248)
Total other financing sources (uses)	<u>(36,683)</u>	<u>19,100,062</u>	<u>2,907,878</u>	<u>21,971,257</u>
Net change in fund balances	(802,711)	18,590,323	1,765,795	19,553,407
Fund balances at beginning of year	1,087,750	-	1,462,994	2,550,744
Fund balances at end of year.	\$ 285,039	\$ 18,590,323	\$ 3,228,789	\$ 22,104,151

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, 2012

Net change in fund balances - total governmental funds	\$	19,553,407
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,672,831	
Current year depreciation	(509,414)	
Total	1,163,417	1,163,417
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(39,903)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	78,045	
Earnings on investments	27,533	
Intergovernmental	31,522,482	
Total	31,628,060	31,628,060
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	170,000	
Loans	69,089	
Capital leases	71,956	
Total	311,045	311,045
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(20,997,197)
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Premiums on bonds	(951,595)	
Bond issuance costs	251,258	
Total	(700,337)	(700,337)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(425,383)	
Accreted interest on capital appreciation bonds	(30,146)	
Amortization of bond issuance costs	(14,703)	
Amortization of bond premiums	47,772	
Amortization of deferred charges	(13,882)	
Total	(436,342)	(436,342)
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.		
		(71,622)
Change in net assets of governmental activities	\$	30,410,528

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 5,014,527	\$ 4,488,213	\$ 4,488,213	\$ -
Tuition	235,682	210,945	210,945	-
Transportation fees	13,198	11,813	11,813	-
Earnings on investments	9,364	8,381	8,381	-
Classroom materials and fees	8,828	7,901	7,901	-
Rental income	6,766	6,056	6,056	-
Contract services	1,492	1,335	1,335	-
Other local revenues	177,806	159,144	159,144	-
Intergovernmental - intermediate	527	472	472	-
Intergovernmental - state	11,511,465	10,303,246	10,303,246	-
Intergovernmental - federal	124,244	111,204	111,204	-
Total revenues	<u>17,103,899</u>	<u>15,308,710</u>	<u>15,308,710</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,933,100	6,816,787	6,792,916	23,871
Special	758,602	745,875	744,729	1,146
Vocational	214,164	210,571	210,077	494
Other	2,324,936	2,285,931	2,282,691	3,240
Support services:				
Pupil	851,904	837,612	836,400	1,212
Instructional staff	640,808	630,057	629,200	857
Board of education	525,320	516,507	506,446	10,061
Administration	1,811,917	1,781,519	1,765,165	16,354
Fiscal	314,883	309,600	309,174	426
Business	208,815	205,312	205,162	150
Operations and maintenance	1,482,550	1,457,678	1,452,962	4,716
Pupil transportation	923,989	908,488	907,784	704
Central	8,335	8,195	8,117	78
Extracurricular activities	336,934	331,281	330,175	1,106
Total expenditures	<u>17,336,257</u>	<u>17,045,413</u>	<u>16,980,998</u>	<u>64,415</u>
(Deficiency) of revenues (under) expenditures	<u>(232,358)</u>	<u>(1,736,703)</u>	<u>(1,672,288)</u>	<u>64,415</u>
Other financing sources (uses):				
Refund of prior year's expenditures	47,342	47,342	47,342	-
Transfers (out)	(62,770)	(62,770)	(62,748)	22
Advances in	728,194	728,194	728,194	-
Advances (out)	(590,973)	(590,973)	(590,629)	344
Sale of capital assets	21,565	21,565	21,565	-
Total other financing sources (uses)	<u>143,358</u>	<u>143,358</u>	<u>143,724</u>	<u>366</u>
Net change in fund balance	(89,000)	(1,593,345)	(1,528,564)	64,781
Fund balance at beginning of year	1,508,135	1,508,135	1,508,135	-
Prior year encumbrances appropriated	626,576	626,576	626,576	-
Fund balance at end of year	<u>\$ 2,045,711</u>	<u>\$ 541,366</u>	<u>\$ 606,147</u>	<u>\$ 64,781</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILLARD CITY SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 16,519
Receivables:	
Accounts	73
Total assets.	\$ 16,592
 Liabilities:	
Due to students.	\$ 16,592
Total liabilities	\$ 16,592

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1961 through the consolidation of existing land areas and school districts. The District serves an area of approximately 90 square miles. It is located in Huron County, and includes the City of Willard, and the Villages of Plymouth, New Haven and Steuben and portions of Richmond, Greenfield, Auburn, Norwich, and New Haven Townships. The District is the 304th largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It is staffed by 85 non-certified employees and 138 certified full-time teaching personnel, who provide services to 1,673 students and other community members. The District currently operates 5 instructional buildings and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2012, the District paid \$190,321 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, 2012

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

Willard Memorial Library

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Classroom facilities - A capital projects fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from 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, interest, tuition, grants, student fees and rentals.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue.

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

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

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

E. Budgets

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

Tax Budget:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

During fiscal year 2012, investments were limited to Federal Home Loan (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Farm Credit Bank (FFCB) securities and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to \$7,513, which includes \$3,634 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

I. 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, 2012, 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, 2012 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 Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 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 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, 2012

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 Assets

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

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

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, 2012

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. 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 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, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Career tech	\$ 4
Title I - Migrant children	33,845
IDEA Part-B	50,935
Title II-D	8
Title III	1,390
Title I	54,574
IDEA preschool grant	88
Improving teacher quality	686

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

C. Noncompliance

- i.* The District had noncompliance with Ohio Revised Code Section 5705.10 due to advancing (and subsequent repayment) funds from other funds to the general fund.
- ii.* The District had noncompliance with Ohio Revised Code Section 5705.41(D) due to untimely certification of expenditures.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 the exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$3,146,558. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$3,084,961 of the District’s bank balance of \$3,334,961 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

C. Investments

As of June 30, 2012, the District had the following investments and maturities:

Investment type	Fair value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 4,286,015	\$ 4,286,015	\$ -	\$ -	\$ -	\$ -
FFCB	5,557,339	-	-	-	5,557,339	-
FHLB	1,179,772	-	1,179,772	-	-	-
FHLMC	3,635,175	-	973,759	-	-	2,661,416
FNMA	5,844,226	-	-	4,280,405	-	1,563,821
			-	-	-	-
Total	\$ 20,502,527	\$ 4,286,015	\$ 2,153,531	\$ 4,280,405	\$ 5,557,339	\$ 4,225,237

The weighted average maturity of investments is 0.14 years.

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

Credit Risk: The District’s investments in federal agency securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. 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 Statue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. 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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 4,286,015	20.90
FFCB	5,557,339	27.11
FHLB	1,179,772	5.75
FHLMC	3,635,175	17.73
FNMA	<u>5,844,226</u>	<u>28.51</u>
Total	<u>\$ 20,502,527</u>	<u>100.00</u>

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets as of June 30, 2012:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 3,146,558
Investments	20,502,527
Cash on hand	<u>3,575</u>
Total	<u>\$ 23,652,660</u>
 <u>Cash per statement of net assets</u>	
Governmental activities	\$ 23,636,141
Agency funds	<u>16,519</u>
Total	<u>\$ 23,652,660</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statement:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$658,681 in the general fund, \$98,053 in the debt service fund (a nonmajor governmental fund) and \$21,401 in the permanent improvement capital projects fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,053,603 in the general fund and \$33,035 debt service fund (a nonmajor governmental fund) and \$32,482 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 189,581,900	97.13	\$ 191,447,070	96.90
Public utility personal	<u>5,602,560</u>	<u>2.87</u>	<u>6,120,500</u>	<u>3.10</u>
Total	<u>\$ 195,184,460</u>	<u>100.00</u>	<u>\$ 197,567,570</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
Operations	\$46.65		\$46.30	
Permanent improvements	1.00		1.00	
Debt service	0.09		0.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Property taxes	\$ 6,365,731
Income taxes	186,957
Accounts	21,562
Accrued interest	140,982
Intergovernmental	<u>32,197,781</u>
Total	<u>\$ 38,913,013</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio School Facilities Commission intergovernmental receivable of \$32,018,980, which will be collected over the duration of the construction project.

NOTE 8 - INCOME TAX

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/12</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,448	\$ -	\$ -	\$ 174,448
Construction in progress	<u>-</u>	<u>1,096,977</u>	<u>-</u>	<u>1,096,977</u>
Total capital assets, not being depreciated	<u>174,448</u>	<u>1,096,977</u>	<u>-</u>	<u>1,271,425</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	472,461	238,901	-	711,362
Buildings and improvements	12,094,835	141,185	(348,980)	11,887,040
Furniture and equipment	2,172,859	183,668	(36,874)	2,319,653
Vehicles	<u>1,224,821</u>	<u>12,100</u>	<u>(61,802)</u>	<u>1,175,119</u>
Total capital assets, being depreciated	<u>15,964,976</u>	<u>575,854</u>	<u>(447,656)</u>	<u>16,093,174</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(253,491)	(16,559)	-	(270,050)
Buildings and improvements	(8,810,520)	(297,708)	326,085	(8,782,143)
Furniture and equipment	(1,213,167)	(113,928)	19,866	(1,307,229)
Vehicles	<u>(697,820)</u>	<u>(81,219)</u>	<u>61,802</u>	<u>(717,237)</u>
Total accumulated depreciation	<u>(10,974,998)</u>	<u>(509,414)</u>	<u>407,753</u>	<u>(11,076,659)</u>
Governmental activities capital assets, net	<u>\$ 5,164,426</u>	<u>\$ 1,163,417</u>	<u>\$ (39,903)</u>	<u>\$ 6,287,940</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 253,160
Special	11,678
Vocational	5,347
<u>Support services:</u>	
Pupil	7,088
Instructional staff	30,934
Board of education	1,000
Administration	69,905
Fiscal	1,790
Operations and maintenance	22,144
Pupil transportation	78,714
Operation of non-instructional	2,213
Extracurricular activities	8,992
Food service operations	<u>16,449</u>
Total depreciation expense	<u>\$ 509,414</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$364,557, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2012 was \$195,355, leaving a current book value of \$169,202. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2012 fiscal year totaled \$71,956. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liability on the statement of net assets.

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, 2012:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 72,070
2014	30,840
2015	30,840
2016	<u>15,419</u>
Total minimum lease payment	149,169
Less: amount representing interest	<u>(15,406)</u>
Present value of minimum lease payments	<u>\$ 133,763</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 07/01/11</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/12</u>	<u>Amount Due in One Year</u>
<u>G.O. Bonds Payable</u>								
School improvement refunding Series 2011 A	2004	2020	Variable	\$ 1,990,000	\$ -	\$ (170,000)	\$ 1,820,000	\$ 180,000
	2012	2044	Variable					
Current interest				-	10,415,000	-	10,415,000	5,000
Capital appreciation				-	83,813	-	83,813	-
Accreted interest				-	19,180	-	19,180	-
Series 2011 B	2012	2044	Variable					
Current interest				-	10,435,000	-	10,435,000	5,000
Capital appreciation				-	63,384	-	63,384	-
Accreted interest				-	10,966	-	10,966	-
Total G.O. bonds				<u>1,990,000</u>	<u>21,027,343</u>	<u>(170,000)</u>	<u>22,847,343</u>	<u>190,000</u>
<u>Loans Payable</u>								
Energy conservation	2001	2016	5.85%	222,560	-	(46,112)	176,448	48,916
Capital improvement	2011	2015	4.00%	97,724	-	(22,977)	74,747	23,919
Total loans payable				<u>320,284</u>	<u>-</u>	<u>(69,089)</u>	<u>251,195</u>	<u>72,835</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				205,719	-	(71,956)	133,763	64,094
Compensated absences				1,086,266	96,649	(72,500)	1,110,415	34,854
Total other long-term obligations				<u>1,291,985</u>	<u>96,649</u>	<u>(144,456)</u>	<u>1,244,178</u>	<u>98,948</u>
Total governmental activities				<u>\$ 3,602,269</u>	<u>\$ 21,123,992</u>	<u>\$ (383,545)</u>	24,342,716	<u>\$ 361,783</u>
Less: unamortized deferred charge on refunding							(93,705)	
Add: unamortized premium on bonds							1,072,006	
Total on statement of net assets							<u>\$ 25,321,017</u>	

School Facilities Construction and Improvement Bonds - Series 2011A and 2011B: On July 6, 2011, the District issued Series 2011A current interest bonds, par value \$10,415,000, Series 2011A capital appreciation bonds, par value \$83,813, Series 2011B current interest bonds, par value \$10,435,000, and Series 2011B capital appreciation bonds, par value \$63,384, to finance building construction and improvements. The interest rates on the current interest bonds range from 2.0% to 5.0%. The capital appreciation bonds mature between January 15, 2014 and January 15, 2021 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,840,000. Total accreted interest of \$30,146 has been included in the statement of net assets at June 30, 2012. \$20,090,185 of the proceeds of these bonds, including premiums, were unspent at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Compensated absences will be paid from the fund from which the employee is paid (which is primarily the general fund) and the general obligation bonds are being retired from the debt service fund (a nonmajor governmental fund). The energy conservation loan is being retired from the energy conservation capital projects fund (a nonmajor governmental fund). Funds to retire this obligation are being transferred from the general fund. The capital improvement loan is being retired from the permanent improvement fund (a nonmajor governmental fund). The capital lease obligation is being paid from the general fund (See Note 10).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 190,000	\$ 1,028,618	\$ 1,218,618	\$ -	\$ -	\$ -
2014	550,000	1,018,107	1,568,107	28,041	51,959	80,000
2015	580,000	1,000,007	1,580,007	18,385	61,615	80,000
2016	625,000	980,544	1,605,544	12,054	67,946	80,000
2017	645,000	959,363	1,604,363	9,385	85,615	95,000
2018 - 2022	2,020,000	4,486,538	6,506,538	79,332	1,425,668	1,505,000
2023 - 2027	3,425,000	4,017,730	7,442,730	-	-	-
2028 - 2032	4,615,000	3,180,500	7,795,500	-	-	-
2033 - 2037	4,610,000	1,954,000	6,564,000	-	-	-
2038 - 2042	3,580,000	1,018,250	4,598,250	-	-	-
2043 - 2044	1,830,000	140,000	1,970,000	-	-	-
Total	\$ 22,670,000	\$ 19,783,657	\$ 42,453,657	\$ 147,197	\$ 1,692,803	\$ 1,840,000

Fiscal Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2013	\$ 72,835	\$ 12,131	\$ 84,966
2014	76,758	8,208	84,966
2015	80,896	4,070	84,966
2016	20,706	412	21,118
Total	\$ 251,195	\$ 24,821	\$ 276,016

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$7,102,555 (including available funds of \$1,640,287) and an unvoted debt margin of \$197,568 and an unvoted energy conservation debt margin of \$1,601,660.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

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 2012, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$2,500	\$48,775,286
Inland Marine Coverage	500	included
Athletic Equipment		50,000
Camera and Audio Video		50,000
Fine Arts		50,000
Signs		10,000
Dwelling-Vocational		100,000
Musical Instruments, Band and Choir Equipment	500	223,500
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	N/A	1,000,000
Uninsured Motorists Bodily Injury Liability	N/A	1,000,000
Auto Comprehensive	500	per stated vehicle
Auto Collision	1,000	per stated vehicle
Equipment Breakdown		included
Hazardous Substances		25,000
CFC Refrigerants		100,000
Public Employee Dishonesty	1,000	10,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2011.

B. Employee Health Benefits

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

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

C. Workers' Compensation

For fiscal year 2012, 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 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$261,993, \$244,064 and \$273,897, respectively; 60.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,118,573, \$1,096,264 and \$1,149,852, respectively; 85.68 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$10,256 made by the District and \$7,326 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$44,731, \$74,229 and \$42,794, respectively; 60.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,472, \$15,706 and \$16,288, respectively; 60.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$86,044, \$84,328 and \$88,450, respectively; 85.68 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,528,564)
Net adjustment for revenue accruals	(361,967)
Net adjustment for expenditure accruals	386,637
Net adjustment for other sources/uses	(180,407)
Funds budgeted elsewhere	(21,147)
Adjustment for encumbrances	902,737
GAAP basis	\$ (802,711)

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

NOTE 17 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - CONTINGENCIES - (Continued)

B. Litigation

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

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.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	309,292
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(224,793)
Excess qualified expenditures from prior years	-
Current year offsets	(143,696)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (59,197)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$ 865,548
Classroom facilities	135,011
Other governmental	<u>1,065,388</u>
Total	<u>\$ 2,065,947</u>

NOTE 20 - CONTRACTUAL COMMITMENTS

On June 30, 2012, the District had the following contractual commitments outstanding related to the Ohio School Facilities Commission ("OSFC") construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2012</u>	<u>Remaining Contract Amount</u>
MKC	\$ 2,882,000	\$ 849,675	\$ 2,032,325
Mr. Excavator	877,000	-	877,000
Midwest Electric	22,400	-	22,400
RA Bores Excavating	168,000	55,514	112,486
Concrete Finishers	27,500	12,000	15,500
Chuck Cavalier	22,950	3,200	19,750
Stan and Associates	118,239	5,485	112,754
Lawhon and Associates	<u>23,538</u>	<u>-</u>	<u>23,538</u>
Total	<u>\$ 4,141,627</u>	<u>\$ 925,874</u>	<u>\$ 3,215,753</u>

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENT

Jeff Ritz was hired as the District's Superintendent, effective August 1, 2012.

SUPPLEMENTARY DATA

**WILLARD CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (C) School Breakfast Program	10.553	2012	\$ 102,035	\$ 102,035
(D) (C) National School Lunch Program	10.555	2012	512,795	512,795
(D) (E) National School Lunch Program - Food Donation	10.555	2012	61,210	61,210
Total National School Lunch Program			<u>574,005</u>	<u>574,005</u>
(D) (C) Total Special Milk Program for Children	10.556	2012	1,840	1,840
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>677,880</u>	<u>677,880</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F)(H) Title I Grants to Local Educational Agencies	84.010	2011	(39,012)	15,964
(F)(H) Title I Grants to Local Educational Agencies	84.010	2012	623,564	601,163
Total Title I Grants to Local Educational Agencies			<u>584,552</u>	<u>617,127</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	-	17
Total Title I Grant Cluster			<u>584,552</u>	<u>617,144</u>
Migrant Education_State Grant Program	84.011	2011	125,539	147,338
Migrant Education_State Grant Program	84.011	2012	91,261	88,799
Total Migrant Education_State Grant Program			<u>216,800</u>	<u>236,137</u>
Special Education Grant Cluster:				
(G) Special Education_Grants to States	84.027	2012	414,500	414,500
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	3,164	-
(G) Special Education_Preschool Grants	84.173	2012	15,640	15,640
Total Special Education Grant Cluster			<u>433,304</u>	<u>430,140</u>
Education Technology State Grants	84.318	2012	4,755	4,755
Rural Education	84.358	2011	741	2,520
Rural Education	84.358	2012	34,984	34,480
Total Rural Education			<u>35,725</u>	<u>37,000</u>
English Language Acquisition Grants	84.365	2012	20,972	20,972
Improving Teacher Quality State Grants	84.367	2011	28,028	70
Improving Teacher Quality State Grants	84.367	2012	105,524	101,859
Total Improving Teacher Quality State Grants			<u>133,552</u>	<u>101,929</u>
ARRA - Race to the Top, Recovery Act	84.395A	2011	3,362	3,438
ARRA - Race to the Top, Recovery Act	84.395A	2012	110,734	101,197
ARRA - Race to the Top, Recovery Act - Ohio Resident Program	84.395A	2012	350	350
Total ARRA - Race to the Top, Recovery Act			<u>114,446</u>	<u>104,985</u>
Education Jobs Fund	84.410	2012	463,211	463,211
Total U.S. Department of Education			<u>2,007,317</u>	<u>2,016,273</u>
Total Federal Financial Assistance			<u>\$ 2,685,197</u>	<u>\$ 2,694,153</u>

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" when determining major programs.
- (G) Included as part of "Special Education Grant Cluster" when determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2011	\$ 39,012	
Title I Grants to Local Educational Agencies	84.010	2012		\$ 39,012
Totals			<u>\$ 39,012</u>	<u>\$ 39,012</u>



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Willard City School District's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-WCSD-001 described in the accompanying schedule of findings and responses to be a material weakness.

Board of Education
Willard City School District

Compliance and Other Matters

As part of reasonably assuring whether the Willard City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2012-WCSD-002 and 2012-WCSD-003.

We also noted a certain matter not requiring inclusion in this report that was reported to the Willard City School District's management in a separate letter dated November 29, 2012.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
November 29, 2012



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Willard City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Willard City School District's major federal programs for the fiscal year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and responses identifies the Willard City School District's major federal programs. The Willard City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Willard City School District's compliance based on our audit.

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

In our opinion, the Willard City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

Board of Education
Willard City School District

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

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

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

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

Julian & Grube, Inc.
November 29, 2012

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education_Grants to States (CFDA #84.027); ARRA - Special Education_Grants to States, Recovery Act (CFDA #84.391); Special Education_Preschool Grants (CFDA #84.173); Education Jobs Fund (CFDA # 84.410)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-WCSD-001

Material Weakness - Financial Statement Presentation

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

The District had an intergovernmental receivable that was understated by \$2,670,423 that relates to the District's Ohio School Facilities Commission project. It was necessary to record an audit adjustment to increase intergovernmental receivables and deferred revenue for the Classroom Facilities fund on the balance sheet. It was also necessary to increase intergovernmental receivables on the statement of net assets and grants and entitlements restricted for Ohio School Facilities Commission (general revenue), on the statement of activities.

The audited financial statements and the District's records have been adjusted for the misstatements above.

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

Client Response: The Classroom Facilities project is very complex accounting. In addition, amounts can fluxuate greatly. The District will attempt to better monitor the total grant award and its progress as the project continues to help ensure the accuracy of intergovernmental receivables.

Finding Number	2012-WCSD-002
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Ohio Revised Code Section 5705.10 in part addresses interfund advances and the restriction on the purpose for which funds may be used. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

The District advanced monies to the general fund from other funds whose purposes are other than general fund purposes. The funds were paid back prior to June 30, 2012.

Using funds whose revenues are restricted for purposes other than the general fund could prevent certain District programs from being carried out timely.

We recommend the District monitor its fund balances and anticipated revenues and expenditures to ensure funds maintain a positive balance. In addition, we recommend the District follow the guidelines of 5705.10 when advancing monies and Auditor of State Bulletin 97-003.

Client Response: The temporary advance was necessary to offset a temporary cash flow concern of the District. The District does not foresee this to be necessary in the future and will consider other short-term financing opportunities, should such situation arise in the future.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-WCSD-003

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The District had 33.33% of examined expenditures that were not certified in a timely manner.

Without timely certification, the District may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection and or a "Then & Now" certification is approved on the purchase order.

Client Response: This situation occurred primarily due to the complexity of the Ohio School Facilities project. The District will attempt to timely certify all expenditures in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-003	<u>Finding for Recovery</u> Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes.	No	The investigation is still in progress.

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Dave Yost • Auditor of State

WILLARD CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2013**