



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Willard City School District  
Huron County  
955 South Main Street  
P.O. Box 150  
Willard, Ohio 44890-0150

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Willard City School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Willard City School District, Huron County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the 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 December 20, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District taken as a whole. The schedule of federal awards expenditures is presented for additional analysis as required by 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

December 20, 2002



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**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,404,726	\$484,472	\$1,106,584	\$179,054
Receivables:				
Taxes	5,442,002		497,399	134,601
Accounts	719	7,460		
Intergovernmental		213,217		
Accrued Interest	2,954			
Materials and Supplies Inventory	54,464			
Prepaid Items	48,549			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$7,953,414</b>	<b>\$705,149</b>	<b>\$1,603,983</b>	<b>\$313,655</b>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$58,918	\$870	\$14,151			\$4,248,775
					6,074,002
948					9,127
2,458					215,675
					2,954
33,981					88,445
					48,549
132,574			\$16,656,667		16,789,241
(92,633)					(92,633)
				1,147,757	1,147,757
				4,407,927	4,407,927
<b>\$136,246</b>	<b>\$870</b>	<b>\$14,151</b>	<b>\$16,656,667</b>	<b>\$5,555,684</b>	<b>\$32,939,819</b>

(Continued)

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2002  
(Continued)**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$96,915	\$27,489		
Accrued Wages and Benefits	1,557,821	88,713		
Compensated Absences Payable	6,472			
Intergovernmental Payable	217,316			
Deferred Revenue	5,088,681	213,217	\$456,226	\$125,663
Due to Students				
Energy Conservation Loan Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<b>6,967,205</b>	<b>329,419</b>	<b>456,226</b>	<b>125,663</b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved/(Accumulated deficit)				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	340,912	47,486		33,840
Reserved for Inventory	54,464			
Reserved for Prepaid Items	48,549			
Reserved for Endowments				
Reserved for Property Taxes	353,321		41,173	8,938
Unreserved:				
Unreserved, Undesignated	188,963	328,244	1,106,584	145,214
<b>Total Fund Equity and Other Credits</b>	<b>986,209</b>	<b>375,730</b>	<b>1,147,757</b>	<b>187,992</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$7,953,414</b>	<b>\$705,149</b>	<b>\$1,603,983</b>	<b>\$313,655</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$5,280	\$112				\$129,796
40,580					1,687,114
14,214				\$832,261	852,947
33,446				99,426	350,188
13,963					5,897,750
		\$9,492			9,492
				541,393	541,393
				37,604	37,604
				4,045,000	4,045,000
107,483	112	9,492		5,555,684	13,551,284
129,951			\$16,656,667		16,656,667
(101,188)	758				129,951
					(100,430)
					422,238
					54,464
					48,549
		778			778
					403,432
		3,881			1,772,886
28,763	758	4,659	16,656,667		19,388,535
<b>\$136,246</b>	<b>\$870</b>	<b>\$14,151</b>	<b>\$16,656,667</b>	<b>\$5,555,684</b>	<b>\$32,939,819</b>

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$8,244,049	\$987,315
Interest	122,900	
Tuition and Fees	33,919	
Rent	2,149	
Extracurricular Activities		367,927
Gifts and Donations		25,073
Property and Other Local Taxes	5,130,409	
Miscellaneous	76,624	9,846
<b>Total Revenues</b>	<b>13,610,050</b>	<b>1,390,161</b>
<b>Expenditures:</b>		
Instruction:		
Regular	6,428,785	121,370
Special	730,462	509,333
Vocational	265,160	
Other	213,549	
Support services:		
Pupils	758,877	23,909
Instructional Staff	710,501	345,225
Board of Education	143,626	
Administration	1,207,475	84,243
Fiscal	297,455	1,748
Business	61,398	
Operation and Maintenance of Plant	1,111,153	3,019
Pupil Transportation	577,664	2,581
Central	3,644	
Non-Instructional Services		166,488
Extracurricular activities	292,066	304,565
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
<b>Total Expenditures</b>	<b>12,801,815</b>	<b>1,562,481</b>
Excess of Revenues Over (Under) Expenditures	<b>808,235</b>	<b>(172,320)</b>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		33,658
Other Financing Sources	603	44,516
Operating Transfers Out	(96,775)	
Refund of Prior Year Receipts		(9,595)
<b>Total Other Financing Sources (Uses)</b>	<b>(96,172)</b>	<b>68,579</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>712,063</b>	<b>(103,741)</b>
Fund Balance at Beginning of Year	<b>274,146</b>	<b>479,471</b>
<b>Fund Balance at End of Year</b>	<b>\$986,209</b>	<b>\$375,730</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$49,470	\$77,376		\$9,358,210
			122,900
			33,919
			2,149
			367,927
			25,073
548,505	127,112		5,806,026
			86,470
<u>597,975</u>	<u>204,488</u>		<u>15,802,674</u>
	94,695		6,644,850
	301		1,240,096
			265,160
			213,549
			782,786
	89,557		1,145,283
			143,626
702	150		1,292,570
12,247	2,716		314,166
			61,398
			1,114,172
			580,245
			3,644
		\$1,000	167,488
			596,631
	341,801		341,801
218,356	63,102		281,458
284,528			284,528
<u>515,833</u>	<u>592,322</u>	<u>1,000</u>	<u>15,473,451</u>
<u>82,142</u>	<u>(387,834)</u>	<u>(1,000)</u>	<u>329,223</u>
	58,248		91,906
			45,119
			(96,775)
			(9,595)
	<u>58,248</u>		<u>30,655</u>
82,142	(329,586)	(1,000)	359,878
1,065,614	517,578	\$4,881	2,341,690
<u><b>\$1,147,756</b></u>	<u><b>\$187,992</b></u>	<u><b>\$3,881</b></u>	<u><b>\$2,701,568</b></u>

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$8,230,522	\$8,244,049	\$13,527
Interest	133,267	133,267	
Tuition and Fees	33,903	33,903	
Rent	2,149	2,149	
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes	4,980,421	4,980,421	
Miscellaneous	79,896	79,896	
<b>Total Revenues</b>	<b>13,460,158</b>	<b>13,473,685</b>	<b>13,527</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	6,597,457	6,481,185	116,272
Special	745,024	741,129	3,895
Vocational	294,644	287,321	7,323
Other	241,363	241,305	58
Support services:			
Pupils	784,906	777,267	7,639
Instructional Staff	800,036	762,337	37,699
Board of Education	171,883	162,673	9,210
Administration	1,320,359	1,296,960	23,399
Fiscal	300,788	297,851	2,937
Business	119,820	119,722	98
Operation and Maintenance of Plant	1,187,166	1,166,169	20,997
Pupil Transportation	625,260	619,822	5,438
Central	3,876	3,873	3
Non-Instructional Services			
Extracurricular activities	303,100	291,765	11,335
Capital Outlay			
Debt Service:			
Principal			
Interest			
<b>Total Expenditures</b>	<b>13,495,682</b>	<b>13,249,379</b>	<b>246,303</b>
Excess of Revenues Over (Under) Expenditures	(35,524)	224,306	259,830
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Other Financing Sources		603	603
Operating Transfers Out	(96,775)	(96,775)	
Refund of Prior Year Receipts			
<b>Total Other Financing Sources (Uses)</b>	<b>(96,775)</b>	<b>(96,172)</b>	<b>603</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(132,299)	128,134	260,433
Fund Balances at Beginning of Year	1,364,032	1,364,032	
Prior Year Encumbrances Appropriated	436,135	436,135	
<b>Fund Balance at end of Year</b>	<b>\$1,667,868</b>	<b>\$1,928,301</b>	<b>\$260,433</b>



Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$1,061,941	\$1,061,944	\$3	\$49,470	\$49,470	
364,759	365,759	1,000			
25,072	25,072				
			\$538,940	538,940	
9,591	9,592	1			
1,461,363	1,462,367	1,004	588,410	588,410	
150,762	134,994	15,768			
536,722	521,022	15,700			
26,941	23,909	3,032			
431,938	354,402	77,536			
91,699	86,012	5,687	800	702	\$98
1,748	1,748		14,000	12,247	1,753
3,019	3,019				
2,581	2,581				
209,895	187,437	22,458			
350,647	318,218	32,429			
			419,045	218,356	200,689
			330,955	284,528	46,427
1,805,952	1,633,342	172,610	764,800	515,833	248,967
(344,589)	(170,975)	173,614	(176,390)	72,577	248,967
33,658	33,658				
44,516	44,516				
(9,600)	(9,595)	5			
68,574	68,579	5			
(276,015)	(102,396)	173,619	(176,390)	72,577	248,967
344,369	344,369		1,034,006	1,034,006	
169,212	169,212				
<b>\$237,566</b>	<b>\$411,185</b>	<b>\$173,619</b>	<b>\$857,616</b>	<b>\$1,106,583</b>	<b>\$248,967</b>

(Continued)

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002  
(Continued)**

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$77,376	\$77,376	
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes	123,214	123,214	
Miscellaneous			
Total Revenues	<u>200,590</u>	<u>200,590</u>	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	160,043	94,695	\$65,348
Special	301	301	
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	89,557	89,556	1
Board of Education			
Administration	152	150	2
Fiscal	2,725	2,716	9
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	421,684	420,082	1,602
Debt Service:			
Principal	63,102	63,102	
Interest			
Total Expenditures	<u>737,564</u>	<u>670,602</u>	<u>66,962</u>
Excess of Revenues Over (Under) Expenditures	<u>(536,974)</u>	<u>(470,012)</u>	<u>66,962</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	58,248	58,248	
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Total Other Financing Sources (Uses)	<u>58,248</u>	<u>58,248</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(478,726)</u>	<u>(411,764)</u>	<u>66,962</u>
Fund Balances at Beginning of Year	240,851	240,851	
Prior Year Encumbrances Appropriated	316,127	316,127	
<b>Fund Balance at end of Year</b>	<u><b>\$78,252</b></u>	<u><b>\$145,214</b></u>	<u><b>\$66,962</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$9,419,309	\$9,432,839	\$13,530
			133,267	133,267	
			33,903	33,903	
			2,149	2,149	
			364,759	365,759	1,000
			25,072	25,072	
			5,642,575	5,642,575	
			89,487	89,488	1
			15,710,521	15,725,052	14,531
			6,908,262	6,710,874	197,388
			1,282,047	1,262,452	19,595
			294,644	287,321	7,323
			241,363	241,305	58
			811,847	801,176	10,671
			1,321,531	1,206,295	115,236
			171,883	162,673	9,210
			1,413,010	1,383,824	29,186
			319,261	314,562	4,699
			119,820	119,722	98
			1,190,185	1,169,188	20,997
			627,841	622,403	5,438
			3,876	3,873	3
\$4,880	\$1,000	\$3,880	214,775	188,437	26,338
			653,747	609,983	43,764
			421,684	420,082	1,602
			482,147	281,458	200,689
			330,955	284,528	46,427
4,880	1,000	3,880	16,808,878	16,070,156	738,722
(4,880)	(1,000)	(3,880)	(1,098,357)	(345,104)	753,253
			91,906	91,906	
			44,516	45,119	603
			(96,775)	(96,775)	
			(9,600)	(9,595)	5
			30,047	30,655	608
(4,880)	(1,000)	(3,880)	(1,068,310)	(314,449)	753,861
4,880	4,880		2,988,138	2,988,138	
			921,474	921,474	
	<b>\$3,880</b>	<b>(\$3,880)</b>	<b>\$2,841,302</b>	<b>\$3,595,163</b>	<b>\$753,861</b>

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>				
Sales	\$482,431			\$482,431
Charges for Services		\$5,893		5,893
Refund of Prior Year Expense	26			26
<b>Total Operating Revenues</b>	<u>482,457</u>	<u>5,893</u>		<u>\$488,350</u>
<b>Operating Expenses</b>				
Salaries	221,490			221,490
Fringe Benefits	88,991			88,991
Purchased Services	7,280	7,317		14,597
Materials and Supplies	478,300			478,300
Depreciation	6,756			6,756
<b>Total Operating Expenses</b>	<u>802,817</u>	<u>7,317</u>		<u>810,134</u>
Operating Loss	<u>(320,360)</u>	<u>(1,424)</u>		<u>(321,784)</u>
<b>Non-Operating Revenues and Expenses</b>				
Federal Donated Commodities	74,771			74,771
Federal and State Subsidies	298,654			298,654
<b>Total Non-Operating Revenues and Expenses</b>	<u>373,425</u>			<u>373,425</u>
Income (Loss) Before Operating Transfers	53,065	(1,424)		51,641
Operating Transfers-In		4,869		4,869
Net Income	53,065	3,445		56,510
Retained Earnings/Fund Balances at Beginning of Year	<u>(154,253)</u>	<u>(2,687)</u>	<u>\$778</u>	<u>(156,162)</u>
Retained Earnings/Fund Balances at End of Year	<u>(101,188)</u>	<u>758</u>	<u>778</u>	<u>(99,652)</u>
Contributed Capital at Beginning of Year	129,951			129,951
Contributed Capital at End of Year	<u>129,951</u>			<u>129,951</u>
<b>Total Fund Equity at End of Year</b>	<u><b>\$28,763</b></u>	<u><b>\$758</b></u>	<u><b>\$778</b></u>	<u><b>\$30,299</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Sales	\$481,483			\$481,483
Cash Received from Charges for Services		\$5,893		5,893
Cash Received from Other	26			26
Cash Payments to Suppliers for Goods and Service	(391,477)			(391,477)
Cash Payments for Contract Services	(7,280)	(7,205)		(14,485)
Cash Payments for Employee Services	(225,804)			(225,804)
Cash Payments for Employee Benefits	(91,365)			(91,365)
Net Cash Provided (Used) by Operating Activities	(234,417)	(1,312)		(235,729)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	296,196			296,196
Operating Transfer In		4,869		4,869
Advances Out	(52,057)	(2,775)		(54,832)
Net Cash Provided (Used) by Noncapital Financing Activities	244,139	2,094		246,233
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Payments for Capital Acquisitions	(5,283)			(5,283)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,283)			(5,283)
Net Increase (Decrease) in Cash and Cash Equivalents	4,439	782		5,221
Cash and Cash Equivalents at Beginning of Year	54,479	88	\$778	55,345
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$58,918</b>	<b>\$870</b>	<b>\$778</b>	<b>\$60,566</b>

(Continued)

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002  
(Continued)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Loss	(\$320,360)	(\$1,424)		(\$321,784)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</b>				
Depreciation	6,756			6,756
Donated Commodities Used During the Year	74,771			74,771
Adjustments to Capital Outlay	4,483			4,483
(Increase) Decrease in Assets:				
Accounts Receivable	(948)			(948)
Material and Supplies Inventory	2,409			2,409
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	1,526			1,526
Intergovernmental Payable	(2,680)			(2,680)
Deferred Revenue	334			334
Accrued Wages and Benefits	(5,534)			(5,534)
Accounts Payable	4,826	112		4,938
<b>Total Adjustments</b>	<b>85,943</b>	<b>112</b>		<b>86,055</b>
<b>Net Cash Used by Operating Activities</b>	<b><u>(\$234,417)</u></b>	<b><u>(\$1,312)</u></b>		<b><u>(\$235,729)</u></b>

**Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:**

Cash and Cash Equivalents - Trust and Agency Funds	\$14,151
Less: Expendable Trust Funds	(3,881)
Less: Agency Funds	(9,492)
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>	<b><u>\$778</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**WILLARD CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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 224th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 98 non-certificated employees and 161 certificated full-time teaching personnel, who provide services to 2,324 students and other community members. The District currently operates 6 instructional buildings and one garage.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the Willard City School 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

The following activities are included within the reporting entity:

*Parochial 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 special revenue fund for financial reporting purposes.

The District is associated with six organizations, which are defined as jointly governed organizations, insurance purchasing pools, and a related organization. These organizations include the North Central Ohio Computer Cooperative, the Pioneer Joint Vocational School District, the Northwestern Ohio Educational Research Council, the Ohio School Boards Association Worker's Compensation Group Rating Plan, the Huron-Erie School Employee Welfare Benefit Association Plan and Trust Agreement, and the Willard Memorial Library. These

**WILLARD CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

organizations are presented in Notes 15, 16, 17, and 18 to the general-purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Willard City School District have been prepared in conformity with generally accepted accounting principles (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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Basis of Presentation - Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

*General Fund* - The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.



**WILLARD CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**2. Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following are the District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Fund* - Internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus,

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

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 year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements included timing requirements, which specify the year when the revenue resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for rate determination.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's 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

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

**3. 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**5. 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.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

and Cash Equivalents” on the balance sheet. During fiscal year 2002, investments were limited to STAR Ohio and nonnegotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. 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 share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general during the fiscal year 2002 amounted to \$122,900, which includes \$55,035 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are recorded as investments.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

(or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure. Interest on debt issued to construct or acquire general fixed assets is not 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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

***Entitlements***

*General Fund*

- State Foundation Program
- School Bus Purchase Reimbursement

***Non-Reimbursable Grants***

*Special Revenue Funds*

- Auxiliary Services
- Teacher Development
- Early Childhood Development
- Gifted
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Data Communications
- Professional Development
- Textbook and Instructional Material Subsidy
- Ohio Reads
- Summer School
- Extended Learning Allocation
- Self School Help Line
- High Schools That Work
- SIRI Mini Grant
- Title I: Instructional Programs for Migrant Children

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Education for Economic Security Act  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
EHA Preschool Grants for the Handicapped  
Title VIR

*Capital Projects Funds*  
School Net  
Energy Conservation

***Reimbursable Grants***

*General Fund*  
Driver Education

*Proprietary Funds*  
National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 58 percent of the District's operating revenue during the 2002 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for employees after 20 years of current service with the District, or after 15 years of service and at least 45 years of age, or after 5 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 remainder is reported in the general long-term

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, prepaid items, property taxes, and principal endowment.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. Contributed capital in the enterprise funds at June 30, 2002 is \$129,951.



**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**O. Total Columns on General-Purpose Financial Statements**

Total columns on the general-purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY**

**Deficit Fund Balance**

Fund balance at June 30, 2002, included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Special Revenue Funds	
DPIA	\$18,852
Title I	22,274

These deficits are caused by application of generally accepted accounting principles, and will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30, 2002.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**WILLARD CITY SCHOOL DISTRICT  
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Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$128,134	(\$102,396)	\$72,577	(\$411,764)	(\$1,000)
Adjustments for:					
Revenue Accruals	136,365	(72,206)	9,565	3,898	
Expenditure Accruals	25,971	(2,426)		44,440	
Encumbrances	421,593	73,287		33,840	
GAAP Basis	\$712,063	(\$103,741)	\$82,142	(\$329,586)	(\$1,000)

**5. DEPOSITS AND INVESTMENTS**

State statutes classify 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 that the Board of Education has identified as not required for use within the current two 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 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 or deposit accounts including passbook accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial 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.

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

1. United States Treasury Notes, Bills, Bonds, or 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 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

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- Association. All federal agency securities shall be direct issuances of the 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 two percent 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 division (1) or (2) of this section 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 Treasurer's investment pool (STAR Ohio); and
  7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse purchase 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Funds invested by fiscal agents are determined by trust agreements and bond indentures. Like the cash invested by the District Treasurer, eligible investments include U.S. government obligations, U.S. government agencies, and certificate of deposit.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

At fiscal year end, the District had \$75 in undeposited cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

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**Deposits:**

At fiscal year end, the carrying amount of the District's deposits was \$2,816,314 and the bank balance was \$2,917,984. Of the bank balance:

1. \$201,365 was covered by federal depository insurance.
2. \$2,441,064 was covered by collateral held by the pledging banks' trust department in the name of the District.
3. \$275,555 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of public money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by FDIC.

**Investments:**

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Reported Amount	Fair Value
STAR Ohio	\$1,432,386	\$1,432,386

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$353,321 in the General Fund, \$41,173 in the Bond Retirement Debt Service Fund and \$8,938 in the Permanent Improvement Capital Projects Fund.

The assessed values of real and tangible personal property upon which property tax revenues were based are as follows:

	<u>2001 Second-Half Collections</u>		<u>2002 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$141,409,100	73%	142,170,250	71%
Public Utility	11,844,580	6%	11,429,890	6%
Tangible Personal Property	41,612,660	21%	45,171,590	23%
Total Assessed Value	<u>\$194,866,340</u>	<u>100%</u>	<u>\$198,771,730</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$45.15</u>		<u>\$44.45</u>	

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. 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 fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund	
Taxes Receivable	\$5,442,002
Accounts Receivable	719
Special Revenue	
Accounts Receivable	7,460
Intergovernmental Receivable	213,217
Debt Service Fund	
Taxes Receivable	497,399
Capital Project Funds	
Taxes Receivable	134,601
Total Receivables	<u>\$6,295,398</u>

**WILLARD CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$132,574
Less: Accumulated Depreciation	<u>(92,633)</u>
Net Fixed Assets	<u><u>\$39,941</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$560,901	\$23,058		\$583,959
Buildings and Improvements	10,739,552	313,924		11,053,476
Furniture and Equipment	3,713,210	327,418	\$41,033	3,999,595
Vehicles	810,761	10,000		820,761
Construction in Progress	198,876			198,876
Totals	<u>\$16,023,300</u>	<u>\$674,400</u>	<u>\$41,033</u>	<u>\$16,656,667</u>

**9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, 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	\$1,000	\$21,338,000
Inland Marine Coverage	250	163,000
Musical Instruments	1,000	250,000
Automobile Liability	250/500	1,000,000
Uninsured Motorists	250/500	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from fiscal year 2001.

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet

**WILLARD CITY SCHOOL DISTRICT  
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the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Willard City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614)-222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Willard City School District is required to contribute at an actuarially determined rate. The current rate is 5.46 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$109,079, \$76,827 and \$45,643, respectively; 49 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$55,630 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Willard City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS 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 STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)-227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002 were 9.3 percent of covered payroll for members and 9.5 percent for employers. 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$690,702, \$717,141, and \$408,095, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$110,512 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

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**Notes to the General-Purpose Financial Statements  
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**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums. These benefits are financed on a pay-as-you-go basis

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll. The Health Care Reserve Fund allocation for the year ended June 30, 2002 is 4.5% of covered payroll. For the District, this amount equaled \$327,174 during fiscal 2002.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 8.54 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.



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The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .70, then adding the surcharge due as of June 30, 2001, as certified to your district by SERS. For the District, the amount to fund health care benefits, including surcharge, equaled \$170,610 during the 2002 fiscal year.

**12. 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. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit for all employees.

**B. Life Insurance**

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

**13. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	Issued	Due	Interest Rate	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
High School Addition	1994	2008	8.50%	\$360,000		\$45,000	\$315,000
Remodel High School and Elementary School	1985	2008	8.25%	745,000		95,000	650,000
Elementary School Renovation	1994	2019	5.10%	3,150,000		70,000	3,080,000
Energy Conservation Loan	2001	2016	5.85%	567,430		26,037	541,393
EPA Asbestos Loan	1987	2007	0.00%	45,960		8,356	37,604
Long-Term Bonds and Notes Payable				4,868,390		244,393	4,623,997
Pension Obligation				99,193	\$233		99,426
Compensated Absences				782,394	49,867		832,261
<b>Total Long-Term Obligations</b>				<b>\$5,749,977</b>	<b>\$50,100</b>	<b>\$244,393</b>	<b>\$5,555,684</b>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. All debt is collateralized solely by the District's taxing authority.

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The District's voted legal debt margin was \$13,844,456 with an unvoted debt margin of \$198,772 at June 30, 2002.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$255,654	\$299,637	\$555,291
2004	267,214	281,627	548,841
2005	279,028	262,733	541,761
2006	285,872	243,352	529,224
2007	283,650	223,716	507,366
2008-2012	1,185,918	843,601	2,029,519
2013-2017	1,241,661	447,157	1,688,818
2018-2020	825,000	76,050	901,050
Total	<u>\$4,623,997</u>	<u>\$2,677,873</u>	<u>\$7,301,870</u>

**14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Willard City School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$433,283	\$49,174	\$482,457
Depreciation Expense	6,756		6,756
Operating (Loss)	(332,232)	11,872	(320,360)
Donated Commodities	74,771		74,771
Grants	298,654		298,654
Net Income (Loss)	41,193	11,872	53,065
Net Working Capital	(25,919)	14,741	(11,178)
Total Assets	121,505	14,741	136,246
Total Liabilities	107,483		107,483
Total Equity	14,022	14,741	28,763

**15. JOINT VENTURE WITHOUT EQUITY INTEREST**

*North Central Ohio Computer Cooperative* - The North Central Ohio Computer Cooperative (NCOCC) is a governmental joint venture consisting of 21 school districts and 3 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the

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organization, all current members will share in the net obligations or asset liquidation in a ratio proportionate to their last twelve months financial obligations. NCOCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Jerry Payne, who serves at the Treasurer, at P. O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

**16. JOINTLY GOVERNED ORGANIZATIONS**

*Pioneer Joint Vocational School District* - The Pioneer Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pioneer Joint Vocational School District, Jerry A. Payne, who serves as Treasurer, at P. O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

*Northwestern Ohio Educational Research Council, Incorporated* - The Northwestern Ohio Educational Research Council, Inc. 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., David G. Elsass, Treasurer, at P.O. Box 456, Ashland, Ohio 44805.

**17. INSURANCE PURCHASING POOLS**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP'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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

*Huron-Erie School Employee Welfare Benefit Association Plan and Trust Agreement* - The District participates in the Huron-Erie School Employee Welfare Benefit Association Plan and Trust

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Agreement (the "Plan"), an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the thirteen school districts and county boards of education in the Plan.

**18. 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, Florence Shreve, Treasurer, at 3915 Center Street, New Haven, Ohio 44850.

**19. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2001	(\$291,532)		\$66,893
Current Year Set-aside Requirement	275,807	\$275,807	
Current Year Offsets			
Qualifying Disbursements	<u>(374,665)</u>	<u>(472,377)</u>	<u>(66,893)</u>
Totals	<u>(\$390,390)</u>	<u>(\$196,570)</u>	
Reserve Balance Carried Forward to June 30, 2003	<u>(390,390)</u>		

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, only the amount for textbooks may be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

**WILLARD CITY SCHOOL DISTRICT  
SENECA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**20. CHANGES IN CONTRIBUTED CAPITAL**

Changes in contributed capital for the year ended June 30, 2002, are summarized by source as follows:

	<u>Food Service</u>
Contributed Capital, July 1, 2001	\$129,951
Current Contributions	
Contributed Capital, June 30, 2002	<u><u>\$129,951</u></u>

**21. CONTINGENCIES**

**Grants**

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 are 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

**22. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	N/A	10.550
National School Lunch Program	045096-LLP	10.555
School Breakfast Program	045096-05PU	10.553
Total Department of Agriculture - Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States (IDEA Part B)	045096-6BSF	84.027
Special Education - Preschool Grant	045096-PGS1	84.173
Total Special Education Cluster		
Vocational Travel Reimbursement	N/A	84.048
Vocational Consumer and Homemaker	N/A	84.049
Migrant Education Basis State Grant Program	045096-MGS1	84.011
Grants to Local Educational Agencies (ESEA Title I)	045096-C1S1	84.010
Eisenhower Professional Development State Grant	045096-MSS1	84.281
Innovative Educational Program Strategies	045096-C2-S1	84.298
Drug-Free Schools Grant	045096-DRS1	84.186
Title VI-R Class Size Reduction	045096-CRS1	84.340
Goals 2000 - Continuous Improvement	045096-G2S2	84.276
Total Department of Education		

**Totals**

*The accompanying notes are an integral part of this schedule.*



<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$73,138		\$72,804
\$247,337		\$247,337	
33,675		33,675	
<u>281,012</u>	<u>73,138</u>	<u>281,012</u>	<u>72,804</u>
121,037		163,881	
15,753		18,218	
<u>136,790</u>		<u>182,099</u>	
565		565	
126		126	
103,023		68,544	
379,318		389,804	
13,528		2,400	
13,204		17,058	
9,422		4,036	
17,262		32,939	
45,445		1,970	
<u>718,683</u>		<u>699,541</u>	
<b><u>\$999,695</u></b>	<b><u>\$73,138</u></b>	<b><u>\$980,553</u></b>	<b><u>\$72,804</u></b>

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Notes to the Schedule of Federal Awards Expenditures  
June 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C – ASBESTOS ABATEMENT LOAN**

The School District received an Asbestos Abatement Loan (CFDA# 66.200) from the Environmental Protection Agency. As of June 30, 2002, the loan balance was \$37,604. Other than repayment of the obligation, there are no continuing compliance requirements. This obligation has not been included in the Schedule of Federal Awards Expenditures.

**NOTE D – MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Willard City School District  
Huron County  
955 South Main Street  
P.O. Box 150  
Willard, Ohio 44890-0150

To the Board of Education:

We have audited the financial statements of Willard City School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 20, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 20, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

December 20, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Willard City School District  
Huron County  
955 South Main Street  
P.O. Box 150  
Willard, Ohio 44890-0150

To the Board of Education:

**Compliance**

We have audited the compliance of Willard City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 20, 2002

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Schedule of Findings  
OMB Circular A -133 §.505  
June 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Local Educational Agency - Title I CFDA # 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**WILLARD CITY SCHOOL DISTRICT  
HURON COUNTY**

**Schedule of Prior Audit Findings  
Fiscal Year End June 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-10539-001	Ohio Revised Code § 5705.39, appropriations exceeded estimated revenues available for expenditure	Yes	
2001-10539-002	Ohio Revised Code § 5705.41(B) , expenditures and encumbrances in excess of appropriations	No	Partially corrected. Reissued as a citation in the management letter for fiscal year 2002.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**WILLARD CITY SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 28, 2003**