



**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	22
Statement of Fiduciary Net Assets - Fiduciary Funds.....	23
Notes to the Basic Financial Statements.....	24
Schedule of Federal Assistance Awards Expenditures.....	54
Notes to the Federal Schedule of Federal Assistance Awards Expenditures.....	58
Independent Accounts' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Accountants' Report on Compliance with Requirements Applicable To Major Federal Programs and Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	61
Schedule of Findings	63

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, Ohio, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund 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 February 29, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of states, local governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 29, 2008

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the Willard City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$47,736 which represents a 0.83% decrease from 2006.
- General revenues accounted for \$16,485,769 in revenue or 80.26% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,055,064 or 19.74% of total revenues of \$20,540,833.
- The District had \$20,588,569 in expenses related to governmental activities; only \$4,055,064 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,485,769 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$16,650,099 in revenues and \$16,611,805 in expenditures and other financing uses. During fiscal 2007, the general fund's fund balance increased \$38,294 from \$2,339,087 to \$2,377,381.
- The District's other major governmental fund the debt service fund had \$513,870 in revenues and \$443,219 in expenditures. During fiscal 2007, the debt service fund's fund balance increased \$70,651 from \$1,364,835 to \$1,435,486.

Using these Basic Financial Statements

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

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The net assets of the District have been restated as described in Note 3.A to the financial statements. The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 12,241,713	\$ 12,500,376
Capital assets	<u>5,594,510</u>	<u>5,846,093</u>
Total assets	<u>17,836,223</u>	<u>18,346,469</u>
<u>Liabilities</u>		
Current liabilities	7,545,638	7,877,737
Long-term liabilities	<u>4,552,580</u>	<u>4,682,991</u>
Total liabilities	<u>12,098,218</u>	<u>12,560,728</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,582,818	2,203,668
Restricted	1,799,269	1,831,086
Unrestricted	<u>1,355,918</u>	<u>1,750,987</u>
Total net assets	<u>\$ 5,738,005</u>	<u>\$ 5,785,741</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$5,738,005.

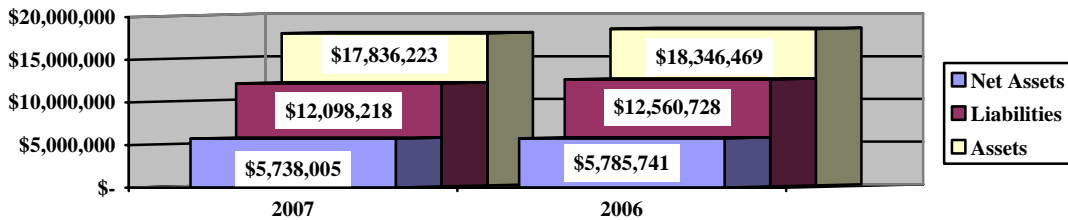
At year-end, capital assets represented 31.37% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$2,582,818. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

A portion of the District's net assets, \$1,799,269, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,355,918 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,057,698	\$ 1,044,772
Operating grants and contributions	2,997,366	2,243,315
Capital grants and contributions		26,240
General revenues:		
Property taxes	6,880,856	6,026,636
Grants and entitlements	9,270,530	9,162,034
Investment earnings	279,886	199,659
Other	54,497	69,593
Total revenues	<u>20,540,833</u>	<u>18,772,249</u>

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Change in Net Assets

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	8,291,714	7,719,505
Special	1,644,993	1,627,115
Vocational	264,706	251,711
Other	1,681,562	1,077,828
Support services:		
Pupil	964,417	930,022
Instructional staff	718,669	872,749
Board of education	404,401	364,159
Administration	1,857,931	1,719,658
Fiscal	421,849	341,467
Business	86,593	103,514
Operations and maintenance	1,380,125	1,272,058
Pupil transportation	888,789	815,650
Central	5,888	4,395
Operations of non-instructional services	57,614	55,000
Food service operations	843,846	794,193
Extracurricular activities	731,077	600,701
Intergovernmental pass through	135,527	115,569
Interest and fiscal charges	208,868	211,658
Total expenses	<u>20,588,569</u>	<u>18,876,952</u>
Change in net assets	(47,736)	(104,703)
Net assets at beginning of year (restated)	<u>5,785,741</u>	<u>5,890,444</u>
Net assets at end of year	<u>\$ 5,738,005</u>	<u>\$ 5,785,741</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$47,736. Total governmental expenses of \$20,588,569 were offset by program revenues of \$4,055,064 and general revenues of \$16,485,769. Program revenues supported 19.70% of the total governmental expenses.

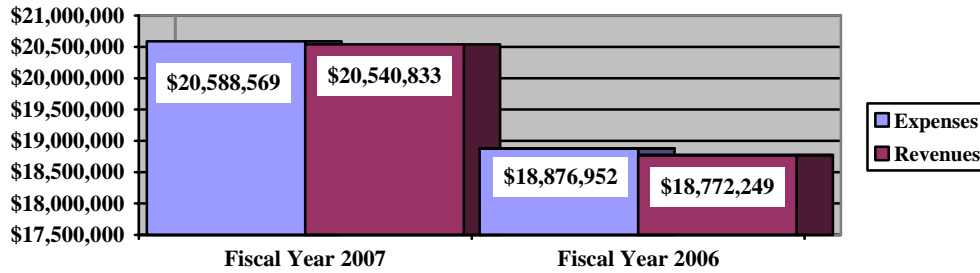
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 78.63% of total governmental revenue. Real estate property is reappraised every six years. The increase in expenditures is primarily due to increases in salaries and benefit expenditures.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 8,291,714	\$ 7,680,278	\$ 7,719,505	\$ 7,151,522
Special	1,644,993	316,077	1,627,115	826,997
Vocational	264,706	221,503	251,711	251,711
Other	1,681,562	1,129,411	1,077,828	916,392
Support services:				
Pupil	964,417	951,493	930,022	921,692
Instructional staff	718,669	690,810	872,749	486,976
Board of education	404,401	404,401	364,159	364,159
Administration	1,857,931	1,815,751	1,719,658	1,615,732
Fiscal	421,849	421,849	341,467	341,467
Business	86,593	86,593	103,514	103,514
Operations and maintenance	1,380,125	1,376,407	1,272,058	1,262,559
Pupil transportation	888,789	850,362	815,650	799,826
Central	5,888	5,888	4,395	4,395
Operations of non-instructional services	57,614	801	55,000	503
Food service operations	843,846	35,509	794,193	20,720
Extracurricular activities	731,077	328,223	600,701	299,765
Intergovernmental pass through	135,527	9,281	115,569	(16,963)
Interest and fiscal charges	<u>208,868</u>	<u>208,868</u>	<u>211,658</u>	<u>211,658</u>
Total expenses	<u>\$ 20,588,569</u>	<u>\$ 16,533,505</u>	<u>\$ 18,876,952</u>	<u>\$ 15,562,625</u>

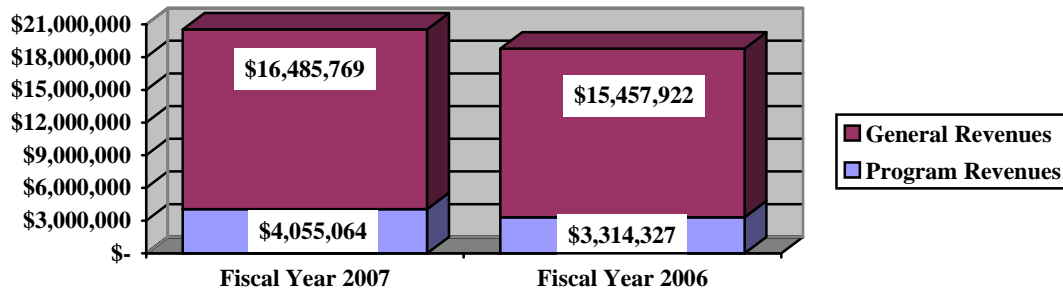
The dependence upon tax and other general revenues for governmental activities is apparent, 78.66% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.30%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,112,693, which is lower than last year's total of \$4,188,568. The fund balances of the District have been restated as described in Note 3.A. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Restated Fund Balance June 30, 2006	Increase (Decrease)
General	\$ 2,377,381	\$ 2,339,087	\$ 38,294
Debt service	1,435,486	1,364,835	70,651
Other Governmental	<u>299,826</u>	<u>484,646</u>	<u>(184,820)</u>
Total	<u>\$ 4,112,693</u>	<u>\$ 4,188,568</u>	<u>\$ (75,875)</u>

General Fund

The District's general fund, fund balance increased by \$38,294. The increase in fund balance can be attributed to increases in revenues outpacing increasing expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund. The increase in interest revenue is due to increasing interest rates. The increase in instruction and support service expenditures is due to increasing costs of salaries and benefits, set by negotiated agreements and scale step increases. The increase in tax revenue was related to the triennial update of property taxes, the first payment of which was received in fiscal year 2007. The increase in intergovernmental revenues was related to increase in foundation payments and tangible personal property fixed sum payments from the State.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,282,323	\$ 5,531,838	13.57 %
Tuition and fees	201,912	216,195	(6.61) %
Earnings on investments	279,886	199,659	40.18 %
Intergovernmental	9,800,750	9,101,320	7.68 %
Other revenues	<u>85,228</u>	<u>100,992</u>	(15.61) %
Total	<u>\$ 16,650,099</u>	<u>\$ 15,150,004</u>	9.90 %
<u>Expenditures</u>			
Instruction	\$ 9,870,975	\$ 9,090,630	8.58 %
Support services	6,299,069	5,746,419	9.62 %
Extracurricular activities	294,647	287,248	2.58 %
Debt service	<u>88,866</u>	<u>88,865</u>	0.00 %
Total	<u>\$ 16,553,557</u>	<u>\$ 15,213,162</u>	8.81 %

Debt Service Fund

The District's debt service fund balance increased by \$70,651 due to increased revenues and less debt payments. The increase in intergovernmental revenues was related to increase in tangible personal property fixed sum payments from the State. The table that follows assists in illustrating the financial activities and fund balance of the debt service fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 365,702	\$ 443,392	(17.52) %
Intergovernmental	<u>148,168</u>	<u>31,491</u>	370.51 %
Total	<u>\$ 513,870</u>	<u>\$ 474,883</u>	8.21 %
<u>Expenditures</u>			
Support services	\$ 10,004	\$ 10,863	(7.91) %
Principal retirement	259,180	273,356	(5.19) %
Interest and fiscal charges	<u>174,035</u>	<u>181,600</u>	(4.17) %
Total	<u>\$ 443,219</u>	<u>\$ 465,819</u>	(4.85) %

General Fund Budgeting Highlights

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$17,264,855, which was \$1,717,743 higher than the original budgeted revenues and other financing sources estimate of \$15,547,112. Actual revenues and other financing sources for fiscal 2007 was \$17,264,855. This equals the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,410,800 were increased to \$18,382,472 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$17,566,830, which was \$815,642 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$5,594,510 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

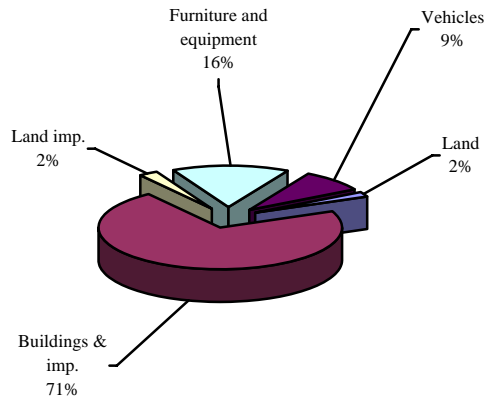
	Governmental Activities	
	2007	2006
Land	\$ 107,448	\$ 107,448
Land improvements	131,970	119,718
Building and improvements	4,001,535	4,282,559
Furniture and equipment	877,660	928,113
Vehicles	475,897	408,255
Total	\$ 5,594,510	\$5,846,093

The District acquired \$207,634 in capital asset additions during fiscal 2007. Total disposals to capital assets for 2007 were \$199 (net of accumulated depreciation). The District recorded \$459,018 in depreciation expense for fiscal 2007.

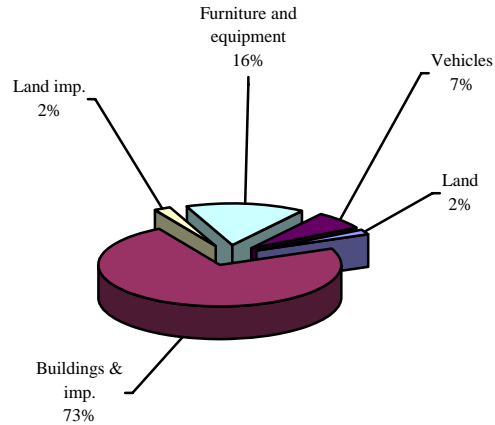
**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Capital Assets - Governmental
Activities 2007**



**Capital Assets - Governmental Activities
2006**



Debt Administration

The District restated the long term obligations as described in Note 3.A. At June 30, 2007, the District had \$3,266,678 in general obligation bonds, loans and capital lease obligations outstanding. Of this total, \$320,695 is due within one year and \$2,945,983 is due within greater than one year. The following table summarizes the bonds, loans and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2007	Restated Governmental Activities 2006
General obligation bonds:		
High school addition	\$ 90,000	\$ 135,000
Remodel high school and elementary school	180,000	270,000
Refunded elementary school renovation	2,570,000	2,690,000
Loans payable:		
Energy conservation	382,365	416,835
EPA asbestos removal		4,180
Capital lease obligations	44,313	126,410
Total	\$ 3,266,678	\$ 3,642,425

The energy conservation loan was received in 2001. This loan is scheduled to mature in fiscal year 2016 and bears an interest rate of 5.85%. Payment of principal and interest on the energy conservation loan is being made from the energy conservation capital projects fund.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The EPA asbestos removal loan was received in 1987. This loan is scheduled to mature in fiscal year 2007 and is interest free as long as the District is current on the payments. Payment of principal and interest on the EPA asbestos removal loan is being made from the debt service fund.

In 1994, the District issued general obligation bonds, providing for an addition to the District's high school. The general obligation bonds are scheduled to mature in fiscal year 2008 and bear an interest rate of 8.50%. Payment of principal and interest on the high school addition bonds is being made from the debt service fund.

In 1985, the District issued general obligation bonds, providing for remodeling the District's high school and elementary school. The general obligation bonds are scheduled to mature in fiscal year 2008 and bear an interest rate of 8.25%. Payment of principal and interest on the high school and elementary school remodeling bonds is being made from the debt service fund.

In 1994, the District issued general obligation bonds, providing for the renovation of the District's elementary school. In 2004, the District refunded these general obligation bonds. The general obligation bonds are scheduled to mature in fiscal year 2019 and bear a variable interest rate which may not exceed 6.00%. Payment of principal and interest on the elementary school renovation bonds is being made from the debt service fund.

At June 30, 2007, the District's overall legal debt margin was \$15,258,707 with an unvoted debt margin of \$185,147 and an energy conservation debt margin of \$1,283,957.

Current Financial Related Activities

The District continues to carefully manage its General Fund budget in order to optimize education dollars for the students of our district. However, we continue to watch our expenses very carefully and have once again instituted 10% cuts in supplies and capital expenditures. On June 30, 2007, our unencumbered General Fund balance was \$3,358,015. A triennial update of property taxes was seen in the first payment in 2007. The next revaluation will be in tax year 2009. Due to a change in CAFS Medicare funding, we will see a decrease in revenue of over \$94,000 in fiscal year 06 and fiscal year 07. We hope that for fiscal year 08, the new Medicaid School Program will once again generate needed income. House Bill 66 authorized the phase out of all personal property tax by 2009. The State will assume full funding of the decrease through a hold harmless agreement through 2011. After the year 2011, the State will no longer reimburse us for lost revenue.

Our expenditures continue to increase dramatically. Salaries are projected to increase approximately 3.6% annually based on negotiated agreements and scale step increases. Health insurance costs continue to rise and new members added during the September open enrollment continue to increase. However, both the certified and classified unions have added working spouse language to their contracts which should save us an average of \$300,000 per year. Purchased Services average an 8-10% increase per year, while supplies and materials, historically are increasing at 9% per year. Increased utility costs, as well as increased costs for special education, due to additional students continues to be a concern. Another major concern is that beginning in 2009; extra money from Idea Part B federal grant funds will no longer be available to fund our elementary handicap unit at Central School which costs approximately \$90,000 per year. We also have a Multiple Handicap unit at the Middle School. Capital Outlay expenditures have been averaging 2% increases. We are not currently purchasing any buses from the general fund, therefore saving the district over \$60,000. Our expenditure per pupil is still significantly lower than the state average. We will continue to keep the cost per pupil as low as possible, while meeting the needs of our young people. We will also continue to monitor our financial situation very closely.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The Willard City Schools met 21 indicators on the District Report Card this past year. Areas of needed improvement include the students with special needs and our economically disadvantaged youth in the area of reading. Overall, the district showed marked improvement in the area of Mathematics which was a focus this past year.

Currently the District has Effective Schools in: Central Elementary, New Haven Elementary, Richmond Elementary and Willard High School. Greenfield Elementary School is considered an Excellent School. The Willard Middle School is considered a school in Continuous Improvement.

The overall improvement plan for the district includes the following steps:

- Analysis of the data – including the local report card, accountability workbook data, formative assessment data, CCIP needs assessment data, culture and climate data, retention and drop-out data and discipline data.
- Identification of root causes by looking at achievement gaps included in the item analysis, determined by analyzing subgroup growth, the level of intervention strategies and the implications of the performance index.
- Creation of a plan based on the district improvement plan, school improvement plan, partnership agreements with RSIT and a focused monitoring plan.

Professional development is being aligned to the needs identified in the testing process.

Attendance levels at all grade levels have been maintained above the 94% overall and the graduation rate increased to 92.6%. On the Ohio Graduation Test, Willard High School students were able to meet all indicators at both the 10th and 11th grades.

Finally, Willard City School students have continued to score consistently above the state and national levels on the ACT tests.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Cyndi Shoup, Treasurer, 955 South Main Street, Willard, Ohio, 44890-0150.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

		<u>Governmental Activities</u>
Assets:		
Equity in pooled cash and cash equivalents. . .	\$	5,598,881
Receivables:		
Taxes		6,199,011
Accounts		18,833
Intergovernmental		157,917
Prepayments.		71,003
Materials and supplies inventory		104,198
Unamortized bond issue costs		91,870
Capital assets:		
Land		107,448
Depreciable capital assets, net		5,487,062
Total capital assets, net		<u>5,594,510</u>
 Total assets		 <u>17,836,223</u>
Liabilities:		
Accounts payable		191,143
Accrued wages and benefits		1,486,022
Pension obligation payable.		416,778
Intergovernmental payable		123,435
Claims and judgments payable.		38,999
Unearned revenue.		5,274,421
Accrued interest payable		14,840
Long-term liabilities:		
Due within one year.		367,500
Due within more than one year		4,185,080
 Total liabilities		 <u>12,098,218</u>
Net Assets:		
Invested in capital assets, net of related debt.		2,582,818
Restricted for:		
Capital projects		133,901
Debt service.		1,439,091
Locally funded programs		754
State funded programs		18,175
Federally funded programs.		60,098
Student activities.		146,471
Permanent endowment		779
Unrestricted		<u>1,355,918</u>
 Total net assets.	 \$	 <u><u>5,738,005</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 8,291,714	\$ 256,798	\$ 354,638	\$ (7,680,278)
Special	1,644,993		1,328,916	(316,077)
Vocational	264,706		43,203	(221,503)
Other	1,681,562		552,151	(1,129,411)
Support services:				
Pupil	964,417		12,924	(951,493)
Instructional staff	718,669		27,859	(690,810)
Board of education	404,401			(404,401)
Administration	1,857,931	4	42,176	(1,815,751)
Fiscal	421,849			(421,849)
Business	86,593			(86,593)
Operations and maintenance	1,380,125	2,754	964	(1,376,407)
Pupil transportation	888,789	13,791	24,636	(850,362)
Central	5,888			(5,888)
Operation of non-instructional				
services	57,614		56,813	(801)
Extracurricular activities	731,077	398,630	4,224	(328,223)
Intergovernmental pass-through	135,527		126,246	(9,281)
Food service operations	843,846	385,721	422,616	(35,509)
Interest and fiscal charges	208,868			(208,868)
Total governmental activities	\$ 20,588,569	\$ 1,057,698	\$ 2,997,366	(16,533,505)
 General Revenues:				
Property taxes levied for:				
General purposes				6,332,869
Debt service				359,357
Capital outlay				188,630
Grants and entitlements not restricted				
to specific programs				9,270,530
Investment earnings				279,886
Miscellaneous				54,497
Total general revenues				16,485,769
Change in net assets				(47,736)
Net assets at beginning of year (restated)				5,785,741
Net assets at end of year				\$ 5,738,005

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,813,769	\$ 1,410,916	\$ 374,196	\$ 5,598,881
Receivables:				
Taxes	5,738,234	285,195	175,582	6,199,011
Accounts	10,968		7,865	18,833
Intergovernmental	39,727		118,190	157,917
Interfund loan receivable	36,304			36,304
Prepayments	71,003			71,003
Materials and supplies inventory	65,769		38,429	104,198
Total assets.	<u>\$ 9,775,774</u>	<u>\$ 1,696,111</u>	<u>\$ 714,262</u>	<u>\$ 12,186,147</u>
Liabilities:				
Accounts payable.	\$ 144,813		\$ 46,330	\$ 191,143
Accrued wages and benefits	1,416,703		69,319	1,486,022
Compensated absences payable	16,428			16,428
Interfund loan payable			36,304	36,304
Pension obligation payable.	381,747		35,031	416,778
Intergovernmental payable.	110,690		12,745	123,435
Claims and judgments payable.	38,999			38,999
Unearned revenue.	4,883,077	\$ 242,180	149,164	5,274,421
Deferred revenue.	405,936	18,445	65,543	489,924
Total liabilities.	<u>7,398,393</u>	<u>260,625</u>	<u>414,436</u>	<u>8,073,454</u>
Fund Balances:				
Reserved for encumbrances	296,166		87,047	383,213
Reserved for materials and supplies inventory	65,769		38,429	104,198
Reserved for property tax unavailable for appropriation	488,468	24,570	15,090	528,128
Reserved for prepayments	71,003			71,003
Reserved for principal endowment.			779	779
Unreserved, undesignated, reported in:				
General fund	1,455,975			1,455,975
Special revenue funds.			87,014	87,014
Debt service fund.		1,410,916		1,410,916
Capital projects funds.			71,467	71,467
Total fund balances	<u>2,377,381</u>	<u>1,435,486</u>	<u>299,826</u>	<u>4,112,693</u>
Total liabilities and fund balances.	<u>\$ 9,775,774</u>	<u>\$ 1,696,111</u>	<u>\$ 714,262</u>	<u>\$ 12,186,147</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total governmental fund balances		\$ 4,112,693
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,594,510
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 396,462	
Intergovernmental revenue	<u>93,462</u>	
Total		489,924
Unamortized bond issuance costs are not recognized in the funds.		91,870
Unamortized premiums on bond issuances are not recognized in the funds.		(254,987)
Unamortized deferred charges are not recognized in the funds.		163,116
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(14,840)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(2,840,000)	
Compensated absences	(1,177,603)	
Capital lease obligation payable	(44,313)	
Loans payable	<u>(382,365)</u>	
Total		<u>(4,444,281)</u>
Net assets of governmental activities		<u><u>\$ 5,738,005</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 6,282,323	\$ 365,702	\$ 186,159	\$ 6,834,184
Tuition	201,912			201,912
Transportation	13,791			13,791
Earnings on investments	279,886			279,886
Extracurricular			375,876	375,876
Charges for services.			385,721	385,721
Classroom materials and fees	12,272		40,221	52,493
Other local revenues	59,165		27,461	86,626
Intergovernmental - intermediate.	472		6,387	6,859
Intergovernmental - state.	9,800,278	148,168	440,579	10,389,025
Intergovernmental - federal			1,774,326	1,774,326
Total revenue.	<u>16,650,099</u>	<u>513,870</u>	<u>3,236,730</u>	<u>20,400,699</u>
Expenditures:				
Current:				
Instruction:				
Regular.	7,587,841		317,203	7,905,044
Special	885,929		757,147	1,643,076
Vocational	256,900			256,900
Other	1,140,305		537,319	1,677,624
Support Services:				
Pupil	943,446		10,051	953,497
Instructional staff	639,989		27,498	667,487
Board of education	404,110			404,110
Administration	1,734,073	584	39,875	1,774,532
Fiscal	395,993	9,420	4,188	409,601
Business.	86,593			86,593
Operations and maintenance	1,262,775		511	1,263,286
Pupil transportation.	826,202		650	826,852
Central	5,888			5,888
Operation of non-instructional services.			57,228	57,228
Extracurricular activities	294,647		419,770	714,417
Facilities acquisition and construction			291,510	291,510
Intergovernmental pass through.			135,527	135,527
Food service operations.			818,219	818,219
Debt service:				
Principal retirement	82,097	259,180	34,470	375,747
Interest and fiscal charges	6,769	174,035	28,632	209,436
Total expenditures	<u>16,553,557</u>	<u>443,219</u>	<u>3,479,798</u>	<u>20,476,574</u>
Excess of revenues over (under) expenditures.	<u>96,542</u>	<u>70,651</u>	<u>(243,068)</u>	<u>(75,875)</u>
Other financing sources (uses):				
Transfers in.			58,248	58,248
Transfers out.	(58,248)			(58,248)
Total other financing sources (uses).	<u>(58,248)</u>		<u>58,248</u>	
Net change in fund balances.	38,294	70,651	(184,820)	(75,875)
Fund balances at beginning of year (restated).	<u>2,339,087</u>	<u>1,364,835</u>	<u>484,646</u>	<u>4,188,568</u>
Fund balances at end of year.	<u>\$ 2,377,381</u>	<u>\$ 1,435,486</u>	<u>\$ 299,826</u>	<u>\$ 4,112,693</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds \$ (75,875)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	207,634	
Current year depreciation		(459,018)	
Total			(251,384)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			140,134
--	--	--	---------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.			(199)
---	--	--	-------

Principal payments on bonds, loans, and capital lease obligations are reported as expenditures in governmental funds but the repayment reduces long-term liabilities on the statement of net assets.			375,747
--	--	--	---------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:

Decrease in accrued interest payable		568	
Amortization of bond premium		21,701	
Amortization of deferred charges on refundings		(13,882)	
Amortization of bond issue costs		(7,819)	
			568

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			(236,727)
--	--	--	-----------

Change in net assets of governmental activities \$ (47,736)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,845,920	\$ 6,492,165	\$ 6,492,165	
Tuition	192,138	213,378	213,378	
Transportation	12,418	13,791	13,791	
Earnings on investments	252,025	278,952	278,952	
Classroom materials and fees	10,723	11,908	11,908	
Other local revenues	44,751	49,698	49,698	
Intergovernmental - intermediate	425	472	472	
Intergovernmental - state	8,806,661	9,780,206	9,780,206	
Total revenue	<u>15,165,061</u>	<u>16,840,570</u>	<u>16,840,570</u>	
Expenditures:				
Current:				
Instruction:				
Regular	7,758,472	8,191,464	7,726,483	\$ 464,981
Special	894,899	944,842	882,908	61,934
Vocational	254,591	268,799	254,966	13,833
Other	1,233,922	1,302,785	1,219,184	83,601
Support Services:				
Pupil	953,751	1,006,978	969,034	37,944
Instructional staff	748,921	790,717	740,966	49,751
Board of education	404,728	427,315	414,868	12,447
Administration	1,728,968	1,825,459	1,781,607	43,852
Fiscal	385,289	406,791	399,320	7,471
Business	168,822	178,244	176,615	1,629
Operations and maintenance	1,326,101	1,400,109	1,366,556	33,553
Pupil transportation	836,149	882,813	879,015	3,798
Central	7,337	7,746	7,688	58
Extracurricular activities	279,371	294,962	294,229	733
Total expenditures	<u>16,981,321</u>	<u>17,929,024</u>	<u>17,113,439</u>	<u>815,585</u>
Excess of revenues under expenditures	<u>(1,816,260)</u>	<u>(1,088,454)</u>	<u>(272,869)</u>	<u>815,585</u>
Other financing sources (uses):				
Refund of prior year expenditure	39,833	44,236	44,236	
Transfers out	(55,169)	(58,248)	(58,248)	
Advances in	342,218	380,049	380,049	
Advances out	(374,310)	(395,200)	(395,143)	57
Total other financing sources (uses)	<u>(47,428)</u>	<u>(29,163)</u>	<u>(29,106)</u>	<u>57</u>
Net change in fund balance	(1,863,688)	(1,117,617)	(301,975)	815,642
Fund balance at beginning of year	3,153,093	3,153,093	3,153,093	
Prior year encumbrances appropriated	506,897	506,897	506,897	
Fund balance at end of year	<u><u>\$ 1,796,302</u></u>	<u><u>\$ 2,542,373</u></u>	<u><u>\$ 3,358,015</u></u>	<u><u>\$ 815,642</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	27,494
		<hr/>
Total assets.	\$	27,494
		<hr/> <hr/>
Liabilities:		
Accounts payable.	\$	251
Deposits held and due to others		4,086
Due to students.		23,157
		<hr/>
Total liabilities	\$	27,494
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1961 through the consolidation of existing land areas and school districts. The District serves an area of approximately 90 square miles. It is located in Huron County, and includes the City of Willard, and the Villages of Plymouth, New Haven and Steuben and portions of Richmond, Greenfield, Auburn, Norwich, and New Haven Townships. The District is the 289th largest in the State of Ohio (among 876 public and community school districts) in terms of enrollment. It is staffed by 96 non-certificated employees and 159 certificated full-time teaching personnel, who provide services to 1,913 students and other community members. The District currently operates 6 instructional buildings and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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 District, this includes general operations, foods service, and student related activities of the District.

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments (the “COG”) North Central Ohio Computer Cooperative (NCOCC)

The COG is a joint venture among 21 school districts and 3 educational service centers. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. In the event of dissolution of the COG, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months’ financial contribution. The COG is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, the District does not have any equity interest in the COG as a 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 the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

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

Northwestern Ohio Educational Research Council, Incorporated (the “Council”)

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers’ Compensation Group II Rating Plan

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

The Plan’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. Refer to Note 12.C. for further information on this group rating plan.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Huron-Erie School Employees Insurance Association

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

RELATED ORGANIZATION

Willard Memorial Library

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for food service and uniform school supplies operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 has invested funds in STAR Ohio during fiscal 2007. 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, 2007.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$279,886, which includes \$92,377 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method which means that the costs of inventory items are recorded as an expenditure in the governmental funds when consumed.

On the fund financial statements, 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 spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

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

I. Interfund Balances

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

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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". A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty (50) years of age with at least five (5) years of service, or forty (40) years of age with at least fifteen (15) years of service, or twenty (20) years of service at any age were included.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10. A.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans, and contractually required pension contributions are recognized on the fund financial statements when due.

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, prepayments, principal endowment, materials and supplies inventory, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

N. Net Assets

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

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

P. Estimates

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

Q. Interfund Activity

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

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

R. Nonpublic Schools

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Correction of Errors and Restatement of Fund Balance/Net Assets

The District has corrected an erroneous fund classification for a fund previously reported as a private-purpose trust fund that should be a non-major governmental fund. In addition, the net assets of the governmental activities have been restated due to an error in the long-term obligation amounts previously reported. The effect of the fund reclassification and the adjustment to the long-term obligations had the following effect on fund balance/net assets as previously reported:

	Governmental Activities	Private-Purpose Trust Fund	Nonmajor Governmental Funds
Fund Balance/Net Assets at June 30, 2006	\$ 5,888,960	\$ 1,781	\$ 482,865
Fund Reclassification	1,781	(1,781)	1,781
Adjustment to long-term obligations	(105,000)		
Restated fund balance/net assets at June 30, 2006	\$ 5,785,741		\$ 484,646

B. Deficit Fund Balances

Fund balances at June 30, 2007, included the following individual fund deficits:

	Deficit
<u>Nonmajor Governmental Funds</u>	
Food Service	\$ 394
Management Information Systems	59
School Net	48
Ohio Reads	20
Career Tech	42
Poverty Aid	19,873
Title VI-B	5,282
Migrant Title III Grant	143
Title I	6,717
Drug Free School Grant	3
Preschool	63
Improving Teacher Quality	241
Miscellaneous Federal Grants	9

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year-end, the District had \$3,575 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$3,977,473. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$4,225,421 of the District's bank balance of \$4,426,816 was exposed to custodial risk as discussed below, while \$201,395 was covered by Federal Deposit Insurance Corporation.

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 1,645,327	\$ 1,645,327

Credit Risk: STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 3,977,473
Cash on hand	3,575
Investments	<u>1,645,327</u>
Total	<u>\$ 5,626,375</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 5,598,881
Agency funds	<u>27,494</u>
Total	<u>\$ 5,626,375</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2007, as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor Governmental Funds	\$ 36,304

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

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

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

Interfund transfers between governmental funds are eliminated for reporting in the Statement of Activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market 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.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of January 1, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Huron County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007, was \$488,468 in the general fund, \$24,570 in the debt service fund, and \$15,090 in the Permanent Improvement capital projects fund. The amount that was available as advance at June 30, 2006 was \$675,596 in the general fund, \$52,977 in the debt service fund and \$18,927 in the Permanent Improvement capital projects fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 165,725,890	82.05	\$ 179,231,730	88.17
Public utility personal	8,367,020	4.14	8,241,050	4.06
Tangible personal property	<u>27,896,334</u>	<u>13.81</u>	<u>15,785,535</u>	<u>7.77</u>
Total	<u>\$ 201,989,244</u>	<u>100.00</u>	<u>\$ 203,258,315</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 41.91		\$ 46.50	
Permanent improvements	1.00		1.00	
Debt Service	2.39		1.45	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:	
Property taxes	\$ 6,199,011
Accounts	18,833
Intergovernmental	<u>157,917</u>
Total	<u>\$ 6,375,761</u>

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 107,448	\$ -	\$ -	\$ 107,448
Total capital assets, not being depreciated	<u>107,448</u>	<u>-</u>	<u>-</u>	<u>107,448</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	311,420	21,500		332,920
Buildings and improvements	11,630,987	20,678		11,651,665
Furniture and equipment	1,715,336	35,520	(11,203)	1,739,653
Vehicles	973,903	129,936	(36,797)	1,067,042
Total capital assets, being depreciated	<u>14,631,646</u>	<u>207,634</u>	<u>(48,000)</u>	<u>14,791,280</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(191,702)	(9,248)		(200,950)
Buildings and improvements	(7,348,428)	(301,702)		(7,650,130)
Furniture and equipment	(787,223)	(85,973)	11,203	(861,993)
Vehicles	(565,648)	(62,095)	36,598	(591,145)
Total accumulated depreciation	<u>(8,893,001)</u>	<u>(459,018)</u>	<u>47,801</u>	<u>(9,304,218)</u>
Governmental activities capital assets, net	<u>\$5,846,093</u>	<u>\$ (251,384)</u>	<u>\$ (199)</u>	<u>\$5,594,510</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 248,658
Special	9,812
Vocational	5,571
<u>Support Services:</u>	
Pupil	7,391
Instructional staff	50,047
Administration	28,595
Operations and maintenance	23,990
Pupil transportation	61,362
Operation of non-instructional	386
Extracurricular activities	3,594
Food service operations	<u>19,612</u>
Total depreciation expense	<u>\$ 459,018</u>

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In previous years, the District entered into capital lease agreements for the acquisition of a telephone system, copier equipment and network equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$405,390, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2007, was \$351,883, leaving a current book value of \$53,507. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2007 fiscal year totaled \$82,097. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liability on the statement of net assets.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$22,064
2009	20,019
2010	<u>6,536</u>
Total minimum lease payment	48,619
Less: amount representing interest	<u>(4,306)</u>
Present value of minimum lease payments	<u>\$44,313</u>

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS

A. The balance of the District's governmental activities long-term obligation has been restated. The balance of the school improvement refunding bonds has been increased by \$105,000 from \$2,585,000 to \$2,690,000 (see Note 3.A). During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 07/01/06</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/07</u>	<u>Due in One Year</u>
<u>G.O. Bonds Payable</u>								
High school addition	1994	2008	8.50%	\$ 135,000	\$ -	\$ (45,000)	\$ 90,000	\$ 45,000
Remodel high school and elementary school	1985	2008	8.25%	270,000		(90,000)	180,000	90,000
School improvement refunding	2004	2020	Variable	2,690,000	-	(120,000)	2,570,000	130,000
Total G.O. bonds				<u>3,095,000</u>	<u>-</u>	<u>(255,000)</u>	<u>2,840,000</u>	<u>265,000</u>
<u>Loans Payable</u>								
Energy conservation	2001	2016	5.85%	416,835		(34,470)	382,365	36,482
EPA asbestos removal	1987	2007	0.00%	4,180	-	(4,180)	-	-
Total loans payable				<u>421,015</u>	<u>-</u>	<u>(38,650)</u>	<u>382,365</u>	<u>36,482</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				126,410		(82,097)	44,313	19,213
Compensated absences				940,876	368,917	(115,762)	1,194,031	46,805
Total other long-term obligations				<u>1,067,286</u>	<u>368,917</u>	<u>(197,859)</u>	<u>1,238,344</u>	<u>66,018</u>
Total governmental activities				<u>\$ 4,583,301</u>	<u>\$ 368,917</u>	<u>\$ (491,509)</u>	<u>\$ 4,460,709</u>	<u>\$ 367,500</u>
Less: unamortized deferred charge on refunding							(163,116)	
Add: unamortized premium of refunding							254,987	
Total on statement of net assets							<u>\$ 4,552,580</u>	

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 265,000	\$ 156,313	\$ 421,313	\$ 36,482	\$ 21,766	\$ 58,248
2009	275,000	138,087	413,087	38,733	19,514	58,247
2010	150,000	125,100	275,100	41,061	17,187	58,248
2011	160,000	116,950	276,950	43,529	14,719	58,248
2012	170,000	107,875	277,875	46,112	12,135	58,247
2013 - 2017	1,035,000	379,995	1,414,995	176,448	19,414	195,862
2018 - 2020	785,000	69,143	854,143	-	-	-
Total	<u>\$2,840,000</u>	<u>\$ 1,093,463</u>	<u>\$3,933,463</u>	<u>\$382,365</u>	<u>\$ 104,735</u>	<u>\$ 487,100</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$15,258,707 (including available funds of \$1,435,486) and an unvoted debt margin of \$185,147 and an unvoted energy conservation debt margin of \$1,283,957.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 11 - OTHER EMPLOYEE BENEFITS – (Continued)

B. Insurance Benefits

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

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2007, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$2,500	\$33,635,634
Inland Marine Coverage	500	included
Musical Instruments, Band and Choir Equipment	500	273,550
General Liability	N/A	1,000,000/2,000,000
Employers Stop Gap Liability	N/A	1,000,000/2,000,000
School Professional Errors and Omissions Liability	10,000	1,000,000/2,000,000 aggregate
Sexual Misconduct Liability	N/A	1,000,000
Employee Benefits Liability	1,000	1,000,000/3,000,000 aggregate
Excess Umbrella Liability	10,000 (retention)	5,000,000
Automobile Liability N/A	N/A	1,000,000
Uninsured Motorists Bodily Injury Liability	N/A	1,000,000
Auto Comprehensive	500	per stated vehicle
Auto Collision	1,000	per stated vehicle

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2006.

B. Employee Health Benefits

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 12 - RISK MANAGEMENT – (Continued)

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

C. Workers' Compensation

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group II Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 13 - PENSION PLANS – (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$213,163, \$211,378, and \$212,694 respectively; 38.85% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$130,348, represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 13 - PENSION PLANS – (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,110,075, \$1,095,194, and \$1,083,821, respectively; 82.90% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$189,804 represents the amount unpaid for fiscal year 2007. Contributions to the DC and Combined Plans for fiscal 2007 were \$0 made by the District and \$8,063 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 – POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$85,390 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 14 – POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$108,108 to fund health care benefits, including the surcharge.

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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (301,975)
Net adjustment for revenue accruals	(190,471)
Net adjustment for expenditure accruals	125,122
Net adjustment for other sources/uses	(29,142)
Adjustment for encumbrances	<u>434,760</u>
GAAP basis	<u>\$ 38,294</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is party to other legal proceedings seeking damages generally incidental to its operations. The District recorded a claims and judgments liability in the general fund of \$38,999 for the settlement of a lawsuit related to a personnel issue.

The District is involved in no other pending litigation that would have a material effect on the financial condition of the District.

NOTE 17 - STATUTORY 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 17 - STATUTORY RESERVES – (Continued)

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ (502,184)	\$ -
Current year set-aside requirement	300,124	300,124
Offsets		(190,485)
Qualifying disbursements	<u>(323,955)</u>	<u>(348,985)</u>
Total	<u>\$ (526,015)</u>	<u>\$ (239,346)</u>
Balance carried forward to FY 2008	<u>\$ (526,015)</u>	<u>\$ -</u>

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years. The negative amount in the capital acquisition reserve may not be carried forward.

This page intentionally left blank.

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
National School Lunch Program <i>Total National School Lunch Program</i>	10.555	045096-LLP4-2007
School Breakfast Program <i>Total School Breakfast Program</i> <i>Total Nutrition Cluster</i>	10.553	045096-05PU-2007
Food Distribution Program Total U.S. Department of Agriculture	10.550	N/A
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States (IDEA Part B) <i>Total Special Education Grants to States</i>	84.027	045096-6B-SF-2007 045096-6B-SD-2006 045096-6B-SF-2006
Special Education - Preschool Grant <i>Total Special Education Grants to States</i> <i>Total Special Education Cluster</i>	84.173	045096-PG-S1-2007 045096-PG-S1-2006
Grants to Local Educational Agencies (ESEA Title I) <i>Total Grants to Local Educational Agencies</i>	84.010	045096-C1-S1-2007 045096-C1-S1-2006
Migrant Education Basic State Grant Program <i>Total Migrant Education Basic State Grant Program</i>	84.011	045096-MG-S1-2006 045096-MG-S1-2006

(Continued)

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
\$ 301,255		\$ 301,255	
301,255		301,255	
51,847		51,847	
51,847		51,847	
353,102		353,102	
	45,662		45,662
353,102	45,662	353,102	45,662
518,989		518,989	
		3,078	
		3,650	
518,989		525,717	
20,340		20,340	
		200	
20,340		20,540	
539,329		546,257	
506,141		506,141	
		314	
506,141		506,455	
48,000		53,785	
		1,432	
48,000		55,217	

(Continued)

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

FEDERAL GRANTOR	Federal	
<i>Pass Through Grantor</i>	CFDA	Grant
Program Title	Number	Number
Title V, Innovative Programs	84.298	045096-C2-S1-2006
Safe and Drug-Free Schools and Communities State Grant	84.186	045096-DR-S1-2007 045096-DR-S1-2006
<i>Total Safe and Drug-Free Schools and Communities State Grant</i>		
Technology Literacy Challenge Fund	84.318	045096-TJ-S1-2007 045096-TJ-S1-2006
<i>Total Technology Literacy Challenge Fund</i>		
Improving Teacher Quality State Grant	84.367	045096-TR-S1-2007 045096-TR-S1-2006
<i>Total Improving Teacher Quality State Grant</i>		
Comprehensive School Reform Demonstration	84.332	045096-RFCC-2007 045096-RFCC-2006
<i>Total Comprehensive School Reform Demonstration</i>		
English Language Acquisition Grant	84.365	045096-T3S1-2007
Total U.S. Department of Education		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES		
<i>Passed Through Ohio Department of Education</i>		
Learn & Serve America - School Community Based Program	94.004	045096-SVS1-2007 045096-SVS1-2006
Total Corporation for National and Community Services		
Total Federal Financial Assistance		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
3,244		3,244	
11,515		11,515	
		3,028	
11,515		14,543	
5,266		5,266	
		435	
5,266		5,701	
123,906		123,906	
		27,335	
123,906		151,241	
72,000		72,000	
		6,644	
72,000		78,644	
12,528		12,528	
1,321,929		1,373,830	
15,000		15,000	
		448	
15,000		15,448	
\$ 1,690,031	\$ 45,662	\$ 1,742,380	\$ 45,662

**WILLARD CITY LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 the governmental activities, each major fund, and the aggregate remaining fund information of the Willard City School District, Huron County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe finding number 2007-001 is not a material weakness.

We noted certain matters that we reported to the District's management in a separate letter dated February 29, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 29, 2008.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 29, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 the Willard City School District, Huron County (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 apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Willard City School District, Huron County complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 29, 2008

**WILLARD CITY SCHOOL DISTRICT
HURON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (CFDA #10.553 and 10.555) and Title I Grants to Local Education Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Significant Deficiency

Financial Reporting

Sound financial reporting is the responsibility of the Treasurer's Office and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the June 30, 2007, financial statements:

1. Adjustments were made to decrease taxes receivable and unearned revenues in the General Fund by \$441,225, the Bond Retirement Fund by 25,637, the Permanent Improvement Fund by \$15,332, and governmental activities by \$482,184 to correct homestead/rollbacks improperly included in the amounts for property tax receivable accrued at June 30, 2007.
2. An adjustment of \$127,275 was made to increase compensated absences of governmental activities at June 30, 2007 due to the incorrect number of days used in the calculation, the wrong sick leave balance report used, and employees not included in the initial calculation made.

The Treasurer should review the adjustments identified above to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the District should adopt policies and procedures, including a final review of the financial statements and note disclosures by the Treasurer to identify and correct errors and omissions.

Officials Response:

The District was made aware of, agreed with and recorded the audit adjustments noted above. Steps have been implemented to ensure all appropriate policies and documentation have been identified and reported.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

WILLARD CITY SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 20, 2008**