

**Upper Sandusky
Exempted Village School District**

Wyandot County, Ohio

Financial Statements
and Independent Auditor's Reports

June 30, 2005





**Auditor of State
Betty Montgomery**

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Ave.
Upper Sandusky, OH 43351

We have reviewed the *Independent Auditor's Report* of the Upper Sandusky Exempted Village School District, Wyandot County, prepared by Kennedy, Cottrell + Associates, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 20, 2006

This Page is Intentionally Left Blank.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	20
Statement of Fiduciary Net Assets - Fiduciary Funds	21
Notes to the Basic Financial Statements	22
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	48
Schedule of Receipts and Expenditures of Federal Awards	50
Schedule of Findings and Questioned Costs	52
Summary Schedule of Prior Audit Findings	59
Corrective Action Plan	60

This Page is Intentionally Left Blank.



INDEPENDENT AUDITOR'S REPORT

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Ave.
Upper Sandusky, Ohio 43351

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2005, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 District as of June 30, 2005, and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, during the year ended June 30, 2005, the District implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liability by Cost-Sharing Employers."

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kennedy, Cottrell & Associates LLC

Kennedy, Cottrell + Associates LLC
Columbus, Ohio
January 5, 2006

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

As management of the Upper Sandusky Exempted Village School District, we offer readers of the School District's financial statements this narrative overview and analysis of the School District's financial activities for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$5.5 million (net assets). Of this amount, \$845,311 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The School District's net assets decreased by \$832,465, or 13%. Program revenues accounted for \$2.6 million, or 19% of total revenues, and general revenues accounted for \$11 million, or 81%.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$1.4 million, a decrease of \$1.3 million in comparison with the prior year. Of this total amount, \$587,225 is available for spending at the government's discretion (unreserved fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 14-15 of this report.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds. The School District has no proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is the School District's only major fund. Data from the other 29 governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The basic fiduciary fund financial statement can be found on page 21 of this report.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

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 notes to the financial statements begin on page 22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceeded liabilities by \$5.5 million at the close of the most recent fiscal year.

By far the largest portion of the School District's net assets (74 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the School District's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$845,311) may be used to meet the government's ongoing obligations to citizens and creditors.

	Net Assets	
	2004	2005
Current Assets	\$ 8,650,757	\$ 8,213,720
Capital Assets	3,997,374	5,306,621
Total Assets	12,648,131	13,520,341
Current Liabilities	5,843,669	6,755,004
Long-Term Liabilities	494,967	1,288,307
Total Liabilities	6,338,636	8,043,311
Net Assets:		
Invested in Capital Assets, net of related debt	3,840,869	4,045,501
Restricted	576,563	586,218
Unrestricted	1,892,063	845,311
Total Net Assets	\$ 6,309,495	\$ 5,477,030

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Governmental Activities

The School District's net assets decreased by \$832,465, or 13%. Key elements of this decrease are as follows:

	2004	2005
Changes in Net Assets Governmental Activities		
Revenues:		
Program Revenues		
Charges for Services	\$ 1,074,438	\$ 1,493,872
Operating Grants	<u>1,004,228</u>	<u>1,094,497</u>
Total Program Revenues	2,078,666	2,588,369
General Revenues		
Taxes	6,196,946	5,604,616
Grants and Entitlements	4,981,033	4,659,166
Other Revenue	<u>730,581</u>	<u>772,359</u>
Total General Revenue	<u>11,908,560</u>	<u>11,036,141</u>
Total Revenues	<u>13,987,226</u>	<u>13,624,510</u>
Expenses:		
Program Expenses		
Instruction	7,830,313	7,793,861
Support Services	5,342,244	5,287,598
Non-Instructional	696,196	803,122
Extra Curricular Activities	560,880	517,697
Interest and Fiscal Charges	6,303	54,697
Miscellaneous	<u>25,760</u>	<u>-</u>
Total Expenses	<u>14,461,696</u>	<u>14,456,975</u>
Changes in Net Assets	<u>\$ (474,470)</u>	<u>\$ (832,465)</u>

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. The net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted state entitlements.

	Total Cost of Service	Net Cost of Service
Program Expenses		
Instruction		
Regular	\$ 5,859,109	\$ 5,724,687
Special	1,188,340	877,640
Vocational	49,072	40,217
Adult/Continuing	22,345	(530)
Other	674,995	291,392
Support Services		
Pupil	673,523	566,450
Instructional Staff	545,498	304,504
Board of Education	57,265	57,265
Administration	1,279,788	1,210,968
Fiscal Services	712,753	712,753
Maintenance	1,172,748	1,161,141
Pupil Transportation	812,311	811,691
Central	33,712	33,712
Noninstructional Activities	803,122	35,287
Extracurricular Activities	517,697	(13,268)
Interest and Fiscal Charges	54,697	54,697
Total Expense	<u>\$ 14,456,975</u>	<u>\$ 11,868,606</u>

The net cost of services column highlights the School District's reliance on general revenues reflecting the need for \$11.9 million of support. General revenues comprise 81% of the School District's total revenues.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$1.4 million, a decrease of \$1.3 million in comparison with the prior year. Approximately 43% of this amount (\$587,225) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$294,428) or for a variety of other purposes (\$490,484).

The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2005 and 2004.

	<u>Fund Balance June 30, 2005</u>	<u>Fund Balance June 30, 2004</u>	<u>Increase (Decrease)</u>
General	\$ 1,159,059	\$ 2,018,025	\$ (858,966)
Other Governmental	213,078	697,729	(484,651)
Total	<u>\$ 1,372,137</u>	<u>\$ 2,715,754</u>	<u>\$ (1,343,617)</u>

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$579,512, while total fund balance was \$1.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.7% of total general fund expenditures, while total fund balance represents 9.5% of that same amount.

As noted above, fund balance of the School District's general fund decreased significantly during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)

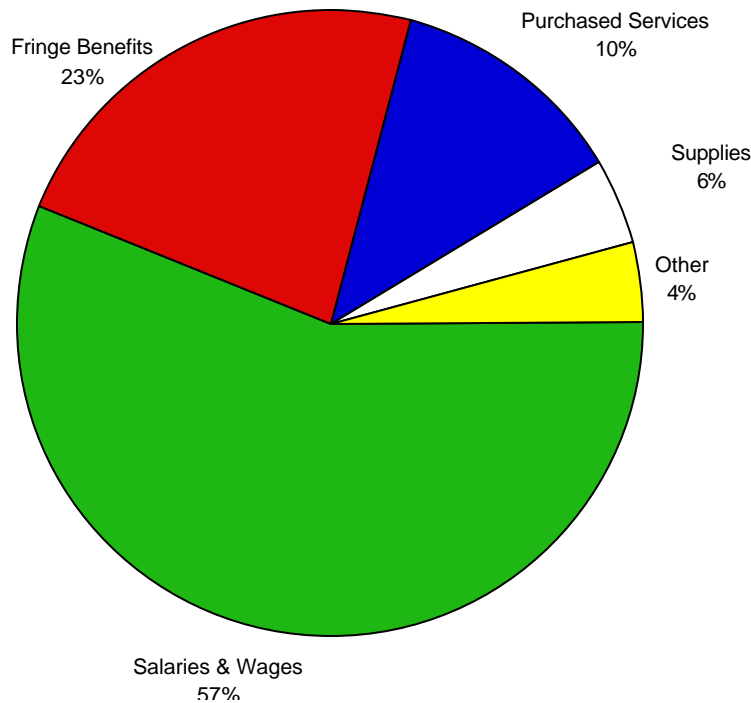
General Fund Revenue Comparative Analysis

Revenues	2005 Amount	2004 Amount	Percentage Change
General Taxes	\$ 5,600,294	\$ 6,196,946	-9.63%
Intergovernmental	5,111,030	5,381,839	-5.03%
Tuition and Fees	449,630	384,852	16.83%
Other	<u>303,694</u>	<u>310,858</u>	-2.30%
Total	<u>\$ 11,464,648</u>	<u>\$ 12,274,495</u>	-6.60%

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits. The School District is a service entity and as such is labor intensive.



	2005	2004	Change	Percent
	Amount	Amount		Change
Expenditures by Object:				
Salaries and Wages	\$ 6,883,593	\$ 6,974,921	\$ (91,328)	-1.31%
Fringe Benefits	2,828,481	2,797,624	30,857	1.10%
Purchased Services	1,487,266	1,530,096	(42,830)	-2.80%
Supplies	436,587	696,551	(259,964)	-37.32%
Capital Outlay	114,550	287,670	(173,120)	-60.18%
Miscellaneous	512,661	387,520	125,141	32.29%
Total	\$ 12,263,138	\$ 12,674,382	\$ (411,244)	-3.24%

The decrease in supplies and capital outlay was by design to keep the general fund balance intact. The increase in miscellaneous expenditures is the result of an increase in principal and interest payments as a result of new debt issued.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

General Fund Budget Information

The School District's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The final estimated resources for the general fund exceeded the original estimate by \$331,524, or 3%. The School District's actual general fund revenues exceeded final estimated resources by \$391,449, or 3.4%. There were no amendments to appropriations throughout the year. Budgetary expenditures in the general fund exceeded final appropriations by \$366,323, or 3%.

Capital Assets

The School District's investment in capital assets at year-end amounts to \$5.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, fixtures and equipment, vehicles, and land improvements. Total acquisitions for the current year were \$1.8 million and depreciation was \$538,218. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 7).

Debt

At fiscal year-end, the School District had \$818,131 in outstanding energy conservation bonds payable of which the School District paid \$58,369 in principal during the fiscal year. Detailed information regarding long-term debt is included in the notes to the basic financial statements (Note 13).

Under current state statutes, the School District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At fiscal year-end, the School District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

A major challenge facing the School District is the future of state funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

FINANCIAL SECTION

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,398,108
Cash with Fiscal Agent	1,429
Investments	77,966
Receivables:	
Property Taxes	5,067,897
Income Taxes	335,776
Intergovernmental	100,139
Interest	1,587
Material and Supply Inventory	44,927
Restricted Cash	151,993
Prepaid Items	19,262
Deferred Bond Issuance Costs	14,636
Nondepreciable Capital Assets	129,647
Depreciable Capital Assets, Net	<u>5,176,974</u>
Total Assets	<u>13,520,341</u>
Liabilities	
Accounts Payable	213,685
Accrued Wages and Benefits	993,085
Intergovernmental Payable	317,958
Deferred Revenue	4,873,276
Notes Payable	357,000
Long-Term Liabilities	
Due within One Year	202,247
Due in More Than One Year	<u>1,086,060</u>
Total Liabilities	<u>8,043,311</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,045,501
Restricted for:	
Capital Projects	119,330
Other Purposes	466,888
Unrestricted	<u>845,311</u>
Total Net Assets	<u>\$ 5,477,030</u>

See accompanying notes to the financial statements

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction				
Regular	\$ 5,859,109	\$ 3,913	\$ 130,509	\$ (5,724,687)
Special	1,188,340	62,792	247,908	(877,640)
Vocational	49,072	8,855	-	(40,217)
Adult/Continuing	22,345	-	22,875	530
Other Instruction	674,995	377,983	5,620	(291,392)
Support Services				
Pupils	673,523	-	107,073	(566,450)
Instructional Staff	545,498	-	240,994	(304,504)
Board of Education	57,265	-	-	(57,265)
Administration	1,279,788	23,954	44,866	(1,210,968)
Fiscal Services	712,753	-	-	(712,753)
Maintenance	1,172,748	-	11,607	(1,161,141)
Pupil Transportation	812,311	-	620	(811,691)
Central	33,712	-	-	(33,712)
Non-instructional Services	803,122	485,410	282,425	(35,287)
Extra Curricular Activities	517,697	530,965	-	13,268
Interest and Fiscal Charges	54,697	-	-	(54,697)
Total Governmental Activities	<u>\$ 14,456,975</u>	<u>\$ 1,493,872</u>	<u>\$ 1,094,497</u>	<u>\$ (11,868,606)</u>

General Revenues	
Property Taxes Levied for General Purposes	4,660,630
Income Taxes	943,986
Grants & Entitlements not Restricted to Specific Programs	4,659,166
Payment in Lieu of Taxes	513,578
Investment Earnings	58,951
Miscellaneous	199,830
Total General Revenues	<u>11,036,141</u>
Change in Net Assets	(832,465)
Net Assets Beginning of Year	6,309,495
Net Assets End of Year	<u>\$ 5,477,030</u>

See accompanying notes to the financial statements

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,691,476	\$ 706,632	\$ 2,398,108
Cash with Fiscal Agent	-	1,429	1,429
Investments	-	77,966	77,966
Receivables:			
Property Taxes	5,067,897	-	5,067,897
Income Taxes	335,776	-	335,776
Intergovernmental	-	100,139	100,139
Interest	1,587	-	1,587
Supplies Inventory	37,253	7,674	44,927
Prepaid Items	19,262	-	19,262
Due From Other Funds	10,390	-	10,390
Restricted Cash and Cash Equivalents	151,993	-	151,993
Total Assets	<u>7,315,634</u>	<u>893,840</u>	<u>8,209,474</u>
Liabilities:			
Accounts Payable	90,416	123,269	213,685
Accrued Wages and Benefits Payable	903,830	89,255	993,085
Intergovernmental Payable	283,706	34,252	317,958
Due To Other Funds	-	10,390	10,390
Deferred Revenue	4,873,276	66,596	4,939,872
Compensated Absences Payable	5,347	-	5,347
Notes Payable	-	357,000	357,000
Total Liabilities	<u>6,156,575</u>	<u>680,762</u>	<u>6,837,337</u>
Fund Balances:			
Reserved			
Encumbrances	176,418	118,010	294,428
Budget Stabilization	151,993	-	151,993
Prepays	19,262	-	19,262
Inventory	37,253	7,674	44,927
Endowments	-	79,681	79,681
Property Taxes	194,621	-	194,621
Unreserved, Reported in:			
General Fund	579,512	-	579,512
Debt Service Fund	-	4,322	4,322
Special Revenue Funds	-	245,655	245,655
Capital Project Funds	-	(242,264)	(242,264)
Total Fund Balances	<u>1,159,059</u>	<u>213,078</u>	<u>1,372,137</u>
Total Liabilities and Fund Balances	<u>\$ 7,315,634</u>	<u>\$ 893,840</u>	<u>\$ 8,209,474</u>

See accompanying notes to the financial statements

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2005**

Total Governmental Fund Balances	\$ 1,372,137
<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.	5,306,621
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	66,596
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
	Compensated Absences (364,204)
	General Obligation Debt (904,120)
	<u>(1,268,324)</u>
Net Assets of Governmental Activities	<u>\$ 5,477,030</u>

See accompanying notes to the financial statements

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 4,656,308	\$ 4,322	\$ 4,660,630
Income Taxes	943,986	-	943,986
Intergovernmental	5,111,030	1,049,516	6,160,546
Interest	57,905	1,046	58,951
Tuition and Fees	449,630	63,626	513,256
Extracurricular Activities	-	255,520	255,520
Food Service	-	393,384	393,384
Other Revenues	<u>245,789</u>	<u>42,722</u>	<u>288,511</u>
Total Revenues	<u>11,464,648</u>	<u>1,810,136</u>	<u>13,274,784</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,526,053	158,152	5,684,205
Special	928,478	244,032	1,172,510
Vocational	49,072	-	49,072
Adult/Continuing	-	22,305	22,305
Other	671,373	3,622	674,995
Support services:			
Pupils	571,816	104,748	676,564
Instructional staff	286,014	245,417	531,431
Board of Education	57,265	-	57,265
Administration	1,187,012	65,164	1,252,176
Fiscal	703,654	18,843	722,497
Operation and Maintenance of Plant	1,016,311	1,401,809	2,418,120
Pupil Transportation	755,193	649	755,842
Central	30,828	-	30,828
Non-instructional Services	-	778,950	778,950
Extracurricular Activities	332,579	185,939	518,518
Capital Outlay	-	24,251	24,251
Debt service:			
Principal Retirement	102,385	-	102,385
Interest and Fiscal Charges	<u>45,105</u>	<u>9,592</u>	<u>54,697</u>
Total Expenditures	<u>12,263,138</u>	<u>3,263,473</u>	<u>15,526,611</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(798,490)</u>	<u>(1,453,337)</u>	<u>(2,251,827)</u>
Other financing sources (uses):			
Donated Commodities	-	36,382	36,382
Other Financing Sources	1,947	5,253	7,200
Proceeds from Sale of Bonds	-	850,000	850,000
Premium on the Issuance of Bonds	-	18,843	18,843
Transfers In	-	59,592	59,592
Transfers Out	<u>(59,592)</u>	<u>-</u>	<u>(59,592)</u>
Total other financing sources (uses)	<u>(57,645)</u>	<u>970,070</u>	<u>912,425</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(856,135)	(483,267)	(1,339,402)
Fund Balance at Beginning of Year, as restated	2,018,025	697,729	2,715,754
Change in Reserve for Inventory	(2,831)	(1,384)	(4,215)
Fund Balance at End of Year	<u>\$ 1,159,059</u>	<u>\$ 213,078</u>	<u>\$ 1,372,137</u>

See accompanying notes to the financial statements

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (1,339,402)

*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 capital outlay exceeded depreciation in the current period.

1,027,457

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

306,144

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the net effect of these differences in the treatment of long-term debt and related items.

(747,615)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences (74,834)

Inventory Consumption (4,215)

Change in Net Assets of Governmental Activities (\$832,465)

See accompanying notes to the financial statements

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Total Revenues	\$ 11,141,401	\$ 11,472,925	\$ 11,874,374	\$ 401,449
Expenditures:				
Current:				
Instruction:				
Regular	5,728,381	5,728,381	5,540,936	187,445
Special	746,441	746,441	921,697	(175,256)
Vocational	52,693	52,693	55,249	(2,556)
Other	290,194	290,194	717,490	(427,296)
Support Services:				
Pupils	594,369	594,369	599,494	(5,125)
Instructional Staff	361,880	361,880	295,448	66,432
Board of Education	84,843	84,843	62,875	21,968
Administration	1,239,057	1,239,057	1,230,301	8,756
Fiscal	677,951	677,951	716,036	(38,085)
Operations of Maintenance of Plant	1,261,092	1,261,092	1,116,892	144,200
Pupil Transportation	790,709	790,709	794,059	(3,350)
Central	11,374	11,374	31,724	(20,350)
Extracurricular Activities	364,487	364,487	356,922	7,565
Debt Service:				
Principal Retirement	8,369	8,369	58,369	(50,000)
Interest and Fiscal Charges	1,313	1,313	32,002	(30,689)
Total Expenditures	12,213,153	12,213,153	12,529,494	(316,341)
Excess of Revenues Over (Under) Expenditures	(1,071,752)	(740,228)	(655,120)	85,108
Other Financing Sources (Uses):				
Transfers In	10,000	10,000	-	(10,000)
Transfers Out	(10,000)	(10,000)	(59,592)	(49,592)
Advances In	55,907	55,907	55,907	-
Advances - Out	(10,000)	(10,000)	(10,390)	(390)
Total Other Financing Sources (Uses)	45,907	45,907	(14,075)	(59,982)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,025,845)	(694,321)	(669,195)	25,126
Fund Balances at Beginning of Year	2,035,332	2,035,332	2,035,332	-
Prior Year Encumbrances Appropriated	211,168	211,168	211,168	-
Fund Balances at End of Year	\$ 1,220,655	\$ 1,552,179	\$ 1,577,305	\$ 25,126

See accompanying notes to the financial statements

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2005

	Agency Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 52,480
Total Assets	<u>52,480</u>
Liabilities:	
Accounts Payable	2,856
Due to Students	<u>49,624</u>
Total Liabilities	<u>\$ 52,480</u>

See accompanying notes to the financial statements

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately three hundred square miles. It is located in Wyandot, Marion, and Crawford Counties, and includes all of the City of Upper Sandusky. The School District currently operates five instructional buildings and one bus garage.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Upper Sandusky Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Upper Sandusky Exempted Village School District.

The School District's reporting entity includes the following:

St. Peter Elementary - Within the School District's boundaries, St. Peter Elementary is operated through the Toledo Catholic Diocese. Current state legislation provides funding to the parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school.

The School District is associated with two jointly governed organizations, two insurance pools, and a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), the Vanguard-Sentinel Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Wyandot-Crawford Health Benefit Plan, and the Upper Sandusky Community Public Library. Information about these organizations is presented in Notes 16, 17, and 18 to the basic financial statements.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Upper Sandusky Exempted Village School District have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

Major Governmental Fund:

General Fund

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

Additionally, the District reports the following fund type:

Fiduciary Funds

Fiduciary funds are used to report assets held by the School District in a trustee or agency capacity for others and therefore cannot be used to support the School District's own programs. These include pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

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 statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund 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.

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.

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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange 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. 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 sources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local sources 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 non-exchange transactions must also be available before it can be recognized.

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

The School District reports deferred revenues on its balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2005, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2006 operations, have been recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense. Revenues are recognized as donated commodities are received.

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

D. Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund's portion of this pool is displayed in the financial statements as cash and cash equivalents. Monies for all funds are maintained in this account or are temporarily used to purchase short-term investments. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit. 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 at fiscal year-end.

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are reported on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

For presentation on the balance sheet, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets and Reserve for Set-Asides

Restricted assets in the general fund represent cash and cash equivalents for which use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District.

F. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market using the first-in, first-out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory consists of expendable supplies held for consumption and food inventory held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Capital Assets and Depreciation

Capital assets are reported in 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 School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Buildings and improvements are charged a full year of depreciation in the year of acquisition or the year the asset is placed into service. Depreciation for furniture, fixtures and equipment, vehicles, and land improvements will begin in the month of acquisition. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	not depreciated
Land Improvements	10 - 25
Buildings & Improvements	20 - 50
Furniture and Equipment	5 - 20
Vehicles	5 - 15

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when all applicable eligibility requirements have been met and the resources are available.

The School District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-major Governmental Funds

Non-Reimbursable Grants

- Auxiliary Services
- Local Professional Development Block Grant
- Education Management Information Systems
- Network Connectivity
- School Net Professional Development
- Ohio Reads Grant
- Student Intervention
- Adult Basic Literacy Education
- Title I
- Title VI-B IDEA
- Title V
- Title VI
- Title II-A
- Title II-D
- Safe and Drug Free Schools Grant

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

J. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. On the fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

L. Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported in the entity-wide financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves/Net Asset Restrictions

Reservations of fund balances are established to identify assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for specific future use. Fund balances have been reserved for encumbrances, prepaid assets, inventories of materials and supplies, property tax revenue, and, if applicable, statutory set-asides.

The School District complies with restrictions governing the use of restricted assets. Such restrictions do not offer discretion regarding the use of these resources in an unrestricted manner. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of United States generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual – 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 GAAP basis are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

GAAP Basis	\$ (856,135)
Revenue Accruals	382,942
Expenditure Accruals	24,645
Advances	45,517
Encumbrances	<u>(266,164)</u>
Budget Basis	<u>\$ (669,195)</u>

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit 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 and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing 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 two percent and be marked to market daily, and that the term of the agreement must not to exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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 School 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.

Deposits

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At fiscal year-end, \$880,904 of the School District's bank balance of \$1,058,425 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

At fiscal year-end, the District's only investment was STAR Ohio having a carrying and fair value of \$1,916,006.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Pursuant to the School District's investment policy, the School District Treasurer may only invest in those investments noted above. STAR Ohio maintains a AAA credit rating.

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. At June 30, 2005, the School District had no concentration of credit risk.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The School District does not have a policy to limit interest rate risk. All STAR Ohio investments have a maturity of less than one year.

NOTE 5 - PROPERTY TAXES

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

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 5 - PROPERTY TAXES (Continued)

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which the fiscal year 2005 taxes were collected are as follows:

	Calendar Year 2004		Calendar Year 2005	
	Second Half Collections		First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 140,927,440	62.01%	\$ 143,638,280	61.60%
Real Property - Commercial / Industrial	33,991,230	14.96%	36,061,700	15.47%
Real Property - Public Utilities	188,410	0.08%	191,500	0.08%
Personal Property - General	43,379,380	19.09%	44,378,919	19.03%
Personal Property - Public Utilities	8,769,360	3.86%	8,909,300	3.82%
Total Assessed Values	<u>\$ 227,255,820</u>	<u>100.00%</u>	<u>\$ 233,179,699</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation \$ 35.30 \$ 35.30

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Wyandot, Marion and Crawford Counties. The Counties' Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by fiscal year-end, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility property taxes, which became measurable as of fiscal year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at fiscal year-end was \$ 194,621 in the General Fund.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 6 - INCOME TAXES

The School District levies a voted tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 7 - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended is as follows:

<u>Class</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-depreciated Assets:				
Land	\$ 129,647	\$ -	\$ -	\$ 129,647
Capital assets, being depreciated:				
Buildings and Improvements	6,464,570	1,600,926	(1,000)	8,064,496
Furniture and Equipment	4,087,936	192,764	(32,000)	4,248,700
Books	1,361,721	-	-	1,361,721
Vehicles	1,727,375	53,775	(36,578)	1,744,572
Total Capital Assets	13,771,249	1,847,465	(69,578)	15,549,136
Buildings and Improvements	(5,213,928)	(105,856)	1,000	(5,318,784)
Furniture and Equipment	(2,430,033)	(247,580)	32,000	(2,645,613)
Books	(982,606)	(75,031)	-	(1,057,637)
Vehicles	(1,147,308)	(109,751)	36,578	(1,220,481)
Less Accumulated Depreciation	(9,773,875)	(538,218)	69,578	(10,242,515)
Capital Assets, Net	\$ 3,997,374	\$ 1,309,247	\$ -	\$ 5,306,621

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 7 - CAPITAL ASSETS (Continued)

Depreciation Expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 171,873
Special	9,511
Adult/Continuing	40
Support Services	
Pupils	32,974
Instructional Staff	15,727
Administration	16,624
Fiscal Services	4,099
Operation and Maintenance	144,431
Pupil Transportation	111,758
Central	159
Noninstructional Services	20,342
Extracurricular Activities	10,680
	<u>\$ 538,218</u>

NOTE 8 - RISK MANAGEMENT

A. General Risk

The School District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District purchased the following coverages:

Building and Contents - replacement cost (\$1,000 deductible)	\$ 250,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$500 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Educator's Legal Liability (\$5,000 deductible)	1,000,000
Umbrella Coverage	5,000,000

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 last year.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 8 - RISK MANAGEMENT (Continued)

B. Insurance Purchasing Pools

OSBA Workers' Compensation Group Rating Program - The District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan, as defined in Section 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

Wyandot-Crawford Health Benefit Plan - Beginning in fiscal year 1997, the School District participated in the Wyandot-Crawford Health Benefit Plan (the Plan), a public entity shared risk pool consisting of five school districts, operating as a common risk management and insurance program for the member districts. The School District pays monthly premiums to the Plan for insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$278,130, \$264,562, and \$243,401, respectively. 50 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The entire amount of unpaid contributions totaling \$126,492 is recorded as a liability on both the balance sheet and statement of net assets.

State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2002 Comprehensive Annual Financial Report can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of 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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

Chapter 3307 of the Revised Code provides the statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2004, were 9.3 percent of covered payroll for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$972,243, \$947,150, and \$895,438, respectively; 87 percent has been contributed for fiscal years 2005 and 100 percent for fiscal years 2004 and 2003. The entire unpaid contribution totaling \$139,028 is recorded as a liability on both the balance sheet and the entity wide statement of net assets.

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have the option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 – POST-EMPLOYMENT BENEFITS

School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million. The number of benefit recipients currently receiving health care benefits is approximately 62,000. For the District, the amount contributed to fund postemployment benefits during fiscal year 2005 was \$97,540.

State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, the amount contributed to fund postemployment benefits during fiscal year 2005 was \$69,446.

At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year-ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only administrative and support personnel who are under a full year contract (12 months) are eligible for vacation time. The Superintendent and Treasurer are granted twenty days of vacation per year. Classified staff members are granted days as follows:

<u>Years of Service</u>	<u>Vacation Days</u>
1 – 9	10
10 – 19	15
20+	20

Vacation time for classified employees has use restrictions. Employees are expected to use earned vacation during the ensuing twelve month period. If at the end of the twelve month period, an employee has not used all of their earned vacation, the employee has the option of transferring the unused vacation to the following year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment, based upon their years of service.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for severance is 205 days. Upon retirement, payment is made for 25 percent of the employee's balance based upon their years of service. Teachers are also entitled to an additional forty bonus days if certain requirements are met.

B. Health Care Benefits

The School District offers medical, dental, and life insurance to most employees through Wyandot-Crawford Health Benefit Plan. The School District offers cancer insurance to its employees through American Family Life or Capital American Life. Premiums vary for each employee depending on the terms of the union contracts.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copiers and computers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At fiscal year-end, the capitalized cost of the District's capital leases was \$246,501 and accumulated depreciation totaled \$113,775 for a net book value of \$132,726. Principal payments in fiscal year 2005 totaled \$44,016 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments at fiscal year-end:

Year ending June 30,	2006		\$	51,608
	2007			38,352
Total				89,960
Less: Amount representing interest				(3,971)
Present value of minimum lease payments			<u>\$</u>	<u>85,989</u>

NOTE 13 – LONG-TERM LIABILITIES

A summary of changes in long-term obligations at fiscal year-end are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year
Energy Conservation Bonds:					
Issued 5/97, matures 3/07	\$ 26,500	\$ -	\$ (8,369)	\$ 18,131	\$ 8,825
Issued 7/04, matures 6/19	-	850,000	(50,000)	800,000	45,000
Conservation Bond Premium					
Issued 7/04, matures 6/19	-	18,843	(4,207)	14,636	1,675
Capital Leases	130,005	-	(44,016)	85,989	47,780
Compensated Absences	338,462	277,957	(246,868)	369,551	98,967
Total	<u>\$ 494,967</u>	<u>\$ 1,146,800</u>	<u>\$ (353,460)</u>	<u>\$ 1,288,307</u>	<u>\$ 202,247</u>

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the energy conservation bonds are as follows:

Year ending June 30,		Principal	Interest	Total
2006	\$	53,825	\$ 34,819	\$ 88,644
2007		54,306	33,281	87,587
2008		45,000	31,330	76,330
2009		50,000	29,688	79,688
2010		50,000	27,813	77,813
2011-2015		285,000	106,047	391,047
2016-2019		280,000	35,033	315,033
	\$	<u>818,131</u>	<u>\$ 298,011</u>	<u>\$ 1,116,142</u>

Energy Conservation Improvement Bonds totaling \$72,875 were issued on May 23, 1997, to provide for energy conservation measures for the School District. A loan was issued under the authority of Ohio Revised Code sections 133.06(G) and 3313.372 at 5.38% interest, for a ten-year period, with final maturity in fiscal year 2007.

Energy Conservation Improvement Bonds totaling \$850,000 were issued on July 28, 2004, to provide for energy conservation measures for the School District. The Bonds were issued with a variable interest rate ranging from 2 – 5%, for a fifteen-year period, with final maturity in fiscal year 2019.

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

The School District's overall legal debt margin is 8% of the total value of real and personal property. At fiscal year-end, the School District's general obligation debt was below the legal limit.

NOTE 14 – NOTES PAYABLE

On July 28, 2004, the School District issued a short-term Energy Conservation Improvement Bond Anticipation Note (BAN) in the amount of \$407,000. The Note was issued at 2.80% and matured on June 1, 2005. The principal and interest were paid from the Building Fund.

On June 1, 2005, the School District rolled over the short-term Energy Conservation Improvement BAN in the amount of \$357,000. The Note was issued at 4.05% and matures on June 1, 2006. The Note will be paid from the Building Fund.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 15 – DUE TO/FROM OTHER FUNDS

On an as-needed basis, the District's General Fund advances resources to other funds of the District to eliminate cash deficits. Advances are repaid to the General Fund in the subsequent fiscal year. At fiscal year-end, outstanding advances were as follows:

	Due From	Due To
General Fund	\$ 10,390	\$ -
Other Governmental Funds:		
Student Intervention	-	2,600
Title II-A	-	5,240
Emergency Response	-	2,550
	\$ 10,390	\$ 10,390

In addition to the advances noted above, the General Fund transferred \$59,592 to the Building Fund to satisfy debt service requirements on notes payable.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Mike Carder, who serves as Director, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

B. Vanguard-Sentinel Joint Vocational School

The Vanguard-Sentinel Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio, which provides vocational education for students. The JVS is operated under the direction of a Board consisting of one representative from the Upper Sandusky Local School District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The JVS possesses its own budgeting and taxing authority. Financial information can be obtained from Jay Valasek, Vanguard-Sentinel Joint Vocational School, at 1306 Cedar Street, Fremont, Ohio 43420.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 17 – INSURANCE POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29, 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 group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire.

The Plans' 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.

B. Wyandot-Crawford Health Benefit Plan

The Wyandot-Crawford Health Benefit Plan (the Plan) is a public entity shared risk pool consisting of five school districts. The Plan is organized as a Voluntary Employee Benefit Association under section 501(c)(9) of the Internal Revenue Code and provides sick, accident, and other benefits to employees of the participating school districts. Each participating school district's superintendent is appointed to the Board of Directors which advises the Trustee, Huntington Trust Company, N.A., concerning aspects of the administration of the Plan.

Each school district decides which benefit programs offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Kristin Bowman, Service Representative, Medical Mutual, P.O. Box 943, Toledo, OH 43656.

NOTE 18 – RELATED ORGANIZATIONS

The Upper Sandusky Community Public 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 Upper Sandusky Exempted Village 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 School District for operational subsidies. Although the School District serves 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. The Library is not considered part of the School District, and its operations are not included within the accompanying financial statements. Financial information can be obtained from John Lyon, Clerk/Treasurer, 310 North Sandusky Avenue Upper Sandusky, Ohio 43351.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 19 - 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

In addition, although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the District has opted to maintain their reserve to offset any budget deficit the District may experience in future fiscal years. At fiscal year-end, the School District's cash basis reserve activity was as follows:

	Textbook Reserve	Capital Acquisition	Budget Stabilization	Totals
Set-aside cash balance as of June 30, 2004	\$ (444,089)	\$ 0	\$ 151,993	\$ (292,096)
Current year set-aside requirements	253,776	253,776	0	507,552
Qualifying disbursements	(58,603)	(1,376,400)	0	(1,435,003)
	<u>\$ (248,916)</u>	<u>\$ (1,122,624)</u>	<u>\$ 151,993</u>	<u>\$ (1,219,547)</u>
 Set-aside balance carried forward to future fiscal years	 <u>\$ (248,916)</u>	 <u>\$ 0</u>	 <u>\$ 151,993</u>	
 Set-aside reserved balance as of June 30, 2005	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 151,993</u>	

The School District had qualifying disbursements during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. This extra amount for textbooks may be used to reduce the set-aside requirements of future fiscal years. The extra amount for capital acquisitions may not be used to reduce set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. Grant funds expended under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at fiscal year-end.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 20 – CONTINGENCIES (Continued)

B. Litigation

The School District’s attorney estimates that any political claims against the District not covered by insurance would not materially affect the financial statements.

NOTE 21 – SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...”.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 22 – COMPLIANCE AND ACCOUNTABILITY

At fiscal year-end, the Construction, Title VI-B, Title I and Title II-A funds (Other Governmental Funds) had deficit fund balances of \$354,058, \$21,477, \$7,417, and \$9,316, respectively. The deficit fund balances resulted from adjustments for accrued liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 23 – RESTATEMENT OF BEGINNING FUND BALANCES

The District’s 2005 basic financial statements reflect prior period adjustments to the General Fund and Other Governmental Fund balances to properly reflect the District’s obligation for contractually obligated pension liabilities, in accordance with GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, issued in December 2004.

This adjustment had the following effect on beginning fund balances:

	General Fund	Other Governmental Funds
Beginning Fund Balances, as previously reported	\$ 2,121,823	\$ 713,864
Intergovernmental Payable - Pension Liability	(103,798)	(16,135)
Beginning Fund Balances, as restated	\$ 2,018,025	\$ 697,729

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 24 – SUBSEQUENT EVENTS

On November 8, 2005, the School District voters passed a levy of a .75% school district income tax for the purpose of current expenses on the school district income of individuals and estates. The school district income tax is for 5 years.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Ave.
Upper Sandusky, Ohio 43351

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 5, 2006, wherein we noted the District adopted Government Accounting Standards Board Technical Bulletin No. 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-1 through 2005-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances of noncompliance are described in the accompanying schedule of findings as items 2005-4 and 2005-5.

We also noted certain other matters that we reported to management of the District in a separate letter dated January 5, 2006.

Board of Education
Upper Sandusky Exempted Village School District
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

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

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
January 5, 2006



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

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Ave.
Upper Sandusky, Ohio 43351

Compliance

We have audited the compliance of The Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2005-6.

Internal Control over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
January 5, 2006

UPPER SANDUSKY EXEMTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal grantor/Pass through grantor/Program title	Federal CFDA Number	Agency or pass through number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Pass-through State Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550		\$ -	\$ 36,382	\$ -	\$ 36,382
School Breakfast Program	10.553	045625 PU	7,332		7,332	
National School Lunch Program	10.555	045625 LL	134,627	-	134,627	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>141,959</u>	<u>36,382</u>	<u>141,959</u>	<u>36,382</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Safe and Drug Free Schools and Communities National Program	84.184E		40,000	-	32,602	
<i>Pass-through Ohio Department of Education:</i>						
Adult Education State Grant Program	84.002	045625 AB	26,742	-	26,795	-
Title I Grants to Local Education Agencies	84.010	045625 C1	116,863	-	139,742	-
Special Education-Grants to States	84.027	045625 6B	417,806	-	344,495	-
Safe and Drug Free Schools and Communities - State Program	84.186	045625 DR	7,231	-	5,083	-
Innovative Education Program Strategies	84.298	045625 C2	7,956	-	1,051	-
Title II-D Technology Fund	84.318	045625 TJ	7,060	-	6,707	-
Title II-A - Improving Teacher Quality	84.367	045625 TR	67,170	-	72,406	-
Total U.S. Department of Education			<u>690,828</u>	<u>-</u>	<u>628,881</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Pass-through Ohio Department of Public Safety:</i>						
Federal Emergency Management	97.036	17500ABB	3,039	-	3,039	-
Total Department of Homeland Security			<u>3,039</u>	<u>-</u>	<u>3,039</u>	<u>-</u>
Totals			<u>\$ 835,826</u>	<u>\$ 36,382</u>	<u>\$ 773,879</u>	<u>\$ 36,382</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE SCHEDULE RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2005

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had no significant food commodities in inventory.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education, Part B-IDEA CFDA # 84.027 Child Nutrition Cluster CFDA # 10.550, 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2005

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

2005-1 REPORTABLE CONDITION: FOOD SERVICE RECEIPTS

A sound system of internal control should include adequate support documentation, as well as review and approval, for all accounting transactions to ensure the validity and completeness of each transaction.

During our testing of food service receipts, we noted that the District does not maintain adequate support documentation. Each school completes a daily worksheet showing the total number of each type of meal sold and total receipts each day. These daily worksheets are used by the District to compile the food service weekly pay-in summary. However, there is no underlying documentation, such as receipts or a cash register tape, to support the financial amounts reported on the daily worksheets. Additionally, there is no underlying documentation to support the meal/milk counts for the high school and middle school (other than free or reduced priced counts) and there was one school that had discarded its daily worksheets and could not supply them for audit purposes.

We also noted that there is no review and approval of each school's daily worksheets. Thus, there is no adequate way for the District to ensure that amounts collected from food services sales are properly recorded and deposited. Because of these weaknesses, the risk is increased that food service receipts could be misstated. Total food service receipts for fiscal year 2005 were approximately \$393,000.

We recommend that the District begin maintaining supporting documentation (e.g., cash register tapes, reconciled daily inventories, pre-pay and charge reconciliations, etc.) for all food service collections at its schools. In addition, daily worksheets should be reviewed and approved by someone independent of the cashier function prior to the worksheets and receipts being submitted to the District office for recording and depositing.

2005-2 REPORTABLE CONDITION: MAINTENANCE OF RECORDS

The District should maintain adequate support documentation for all accounting transactions to ensure the validity and nature of each transaction.

During our testing of governmental revenues, we noted that the District was unable to provide adequate support documentation, such as duplicate receipts or student applications, for seven extracurricular activity receipts, six tuition and classroom fee receipts, and four miscellaneous receipts out of 40 of each revenue type that we tested. Thus, the District is unable to ensure that the amounts it collects for these various activities are properly recorded and deposited.

For 2005, total extracurricular activity, tuition and classroom fee, and miscellaneous revenues were \$246,000, \$490,890, and \$311,626, respectively. Despite the lack of support documentation, we were able to obtain assurance over these account balances through additional testing using analytical procedures.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2005

2005-2 REPORTABLE CONDITION: MAINTENANCE OF RECORDS (CONTINUED)

We recommend that the District begin requiring that all receipts obtain and maintain supporting documentation. The form of the documentation may vary depending upon the nature of the activity; however, the District should be able to reconcile amounts posted and deposited to the underlying documentation.

2005-3 REPORTABLE CONDITION: EQUIPMENT MANAGEMENT

It is the District's written policy that "The Board shall maintain a continuous inventory of all Board-owned equipment and supplies annually....It shall be the duty of the Treasurer to ensure that inventories are recorded systematically and accurately and property records of equipment are updated and adjusted annually by reference to purchase orders and withdrawal reports. Major items of equipment shall be subject to annual spot check inventory to determine loss, mislocation, or depreciation; any major loss shall be reported to the Board. The Treasurer shall maintain a system of property records which shall show, as appropriate to the item recorded, the:

- A. description and identification;
- B. manufacturer;
- C. year of purchase;
- D. initial cost;
- E. location."

In conflict with the above policy, we noted the following weaknesses in how the District manages its equipment:

- An annual inventory of equipment has not been performed in the last few fiscal years.
- Most equipment purchased since the date of the last inventory has not been properly labeled with an inventory tag to identify and track it.
- During the fiscal year under audit, the District did not record new equipment additions or disposals of old equipment in its accounting system.
- The District did not utilize equipment disposal forms to document the details and approval of disposals made during the fiscal year.

Because of these weaknesses, the risk is increased that equipment reported as capital assets on the District's financial statements could be misstated. The District currently reports approximately \$5 million of capital assets on its Statement of Net Assets. The risk of theft or misappropriation of equipment, which would not be detected by the District, is also increased.

We recommend that the District perform a physical inventory of equipment on hand as soon as practical. As part of the inventory, the District should ensure that all equipment contains an inventory tag to identify it. On a go-forward basis, the District should ensure that:

- All new equipment additions are properly recorded in its accounting system
- All equipment disposals are documented with an equipment disposal form and recorded in its accounting system
- A physical inventory is performed at least on an annual basis and reconciled to equipment records.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2005

2005-4 NONCOMPLIANCE: APPROPRIATIONS EXCEEDED ESTIMATED RESOURCES

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

During our testing we noted the following funds had appropriations in excess of total estimated resources during 2005:

<u>Fund</u>	<u>Month</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
004 Building	December	\$ 1,659	\$ 1,258,659	\$ 1,257,000
007 Scholarship	December	-	8,300	8,300
300 Athletic	December	240,548	246,668	6,120
450 Schoolnet	December	-	18,060	18,060
459 Ohio Reads	December	12,810	37,967	25,157
499 Miscellaneous State Grants	December	-	43,615	43,615
516 Title VI-B	December	355,653	430,683	75,030
459 Ohio Reads	June	\$ 35,022	\$ 37,967	\$ 2,945
499 Miscellaneous State Grants	June	40,250	43,615	3,365
501 Adult Basic Education	June	28,670	28,884	214
516 Title VI-B	June	401,441	430,683	29,242
573 Title VI	June	8,018	8,151	133
584 Drug Free Schools	June	7,581	8,003	422
590 Title II-A	June	73,630	75,059	1,429

We recommend the District file an amended certificate of estimated resources when appropriations are expected to be greater than estimated resources to ensure that appropriations for the year does not exceed the estimated resources for the year.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2005

2005-5 NONCOMPLIANCE: EXPENDITURES EXCEEDED APPROPRIATIONS

Ohio Revised Code Section 5705.41(B) provides, in part, that no subdivision or taxing unit shall “make any expenditure of money unless it has been appropriated as provided in such chapter.”

During our testing we noted that the Board approved the permanent appropriation measure in an open meeting on September 20, 2004. Supplemental appropriation measures were submitted to the county budget commission during the year but were not approved by the Board as required by Ohio Revised Code Section 5705.40. As a result, the District’s final appropriations are equal to the appropriation amounts set forth by its permanent appropriation measure.

At June 30, 2005 expenditures were in excess of appropriations at the fund level (the legal level of control) for the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary</u>	
		<u>Expenditures</u>	<u>Excess</u>
001 General	\$ 12,233,153	\$ 12,325,849	\$ 92,696
006 Food Service	547,248	606,923	59,675
009 Uniform Supply	32,400	46,697	14,297
019 Marth Holden Jennings	1,062	3,182	2,120
401 Auxiliary Service	50,603	123,882	73,279
432 EMIS	6,582	6,965	383
451 Network Connectivity	1,628	16,628	15,000
452 Schoolnet Prof. Dev.	1,042	4,331	3,289
599 Technology, Title II-D	8,371	433,387	425,016

We recommend the Board approve amended appropriation measures, prior to filing the measures with the county budget commission, if expenditures are likely to exceed appropriations. This will ensure that all amounts are lawfully appropriated.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2005

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2005-6 NONCOMPLIANCE: PAYROLL DOCUMENTATION

Federal Agency: U.S. Department of Agriculture
Passed Through: Ohio Department of Education
Federal Award Year: 2004 and 2005
Program Name: Child Nutrition Cluster
CFDA #: 10.553; 10.555

Federal Agency: U.S. Department of Education
Passed Through: Ohio Department of Education
Federal Award Year: 2004 and 2005
Program Name: Title IV-B; Special Education
CFDA #: 84.027

OMB Circular A-87, Attachment B, Section 8(h)(3), states, in part:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Furthermore, OMB Circular A-87, Attachment B, Section 8(h)(4), states, in part:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation....Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

For personnel assigned to work solely on one federal grant, other than the regular food service employees, the District did not prepare the required semi-annual certifications, as described above. In addition, the District did not utilize timesheets that documented time devoted to federal grants by personnel who worked on multiple federal and/or non-federal activities

Without such documentation, the risk is increased that salaries and related fringe benefits could be inappropriately charged to a federal grant program and later result in questioned costs. Total payroll charges to the federal programs identified above were \$311,623 for fiscal year 2005.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2005

2005-6 NONCOMPLIANCE: PAYROLL DOCUMENTATION (CONTINUED)

We recommend that the District assign a supervisory official having first hand knowledge of the work performed by grant employees to prepare semi-annual certifications documenting which employees worked solely on one grant program. We also recommend that the District begin utilizing timesheets that document the distribution of time between multiple federal grant activities.

2005-7 REPORTABLE CONDITION: FOOD SERVICE MEAL COUNTS

Federal Agency:	U.S. Department of Agriculture
Passed Through:	Ohio Department of Education
Federal Award Year:	2004 and 2005
Program Name:	Child Nutrition Cluster
CFDA #:	10.553; 10.555

For Federal reimbursement of free or reduced-priced meals to eligible students, claims for reimbursement must be supported by accurate meal counts and records.

During our testing of food service receipts and meal counts, we noted one school had not retained its daily worksheets and underlying documentation to support the number of free and reduced-priced meals served to eligible students. We also noted that there is no review and approval of any of the schools' daily worksheets. Thus, there is no adequate way for the District to ensure that meal counts being reported by the schools to the District office are accurate or complete.

Because of these weaknesses, the risk is increased that meal counts could be misreported by the District to the Ohio Department of Education for federal reimbursement. Total federal subsidies for free or reduced-priced meals were approximately \$142,000 during fiscal year 2005.

We recommend that the District begin maintaining supporting documentation (e.g., cash register tapes, reconciled daily inventories, pre-pay and charge reconciliations, etc.) for all food service collections at its schools. In addition, daily worksheets should be reviewed and approved by someone independent of the cashier function prior to the worksheets and receipts being submitted to the District office for reporting to the Ohio Department of Education.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2005

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Status</u>
2004	2004-1	Not Corrected.
2004	2004-2	Not Corrected.



Upper Sandusky Exempted Village Schools

800 North Sandusky Ave., Suite A
Upper Sandusky, OH 43351

Phone: (419) 294-2306

Fax: (419) 294-6891

"A Tradition of Excellence"

www.uppersandusky.k12.oh.us

CORRECTIVE ACTION PLAN

1-20-2006

U.S. Department of Education

The Upper Sandusky Exempted Village School District respectfully submits the following corrective action plan of the year ended June 30, 2005.

Independent Public Accounting Firm

Kennedy, Cottrell + Associates
383 North Front Street
Columbus, OH 43215

The findings from the June 30, 2005 schedule of finding and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS:

2005-1

It has been discussed accordingly with the Board President and we will proceed with purchasing cash registers for all of the buildings for the food service areas.

2005-2

This issue has been discussed with our Administrators and Advisors. Copies of documentation and better recordkeeping will be implemented throughout the school district.

2005-3

The Board of Education is going to retain the services of an appraisal firm this fiscal year to get a complete inventory appraisal completed to get the district back into compliance.

NONCOMPLIANCE:

2005-4

Appropriation changes and adjustments will be done in a timelier organized manner with the Board of Education approval.

2005-5

Appropriation modifications and spending procedures will be monitored closer than in previous years here at Upper Sandusky.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF AGRICULTURE

2005-6

Salaried employees will complete a form documenting the percentage of time they are working in food service.

2005-7

As stated previously, the school district will be purchasing cash registers to help alleviate this issue and any problems in this area.

DEPARTMENT OF EDUCATION

2005-6

Federally funded employees, who are compensated on an hourly basis, will be required to complete hourly timesheets.

If the U.S. Department of Education has questions regarding this plan, please call Nathan Lynch at 419-294-2306.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'N. Lynch', written in a cursive style.

Nathan Lynch, Treasurer



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT 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 30, 2006**