

**Upper Sandusky
Exempted Village School District**

Wyandot County, Ohio

Single Audit

June 30, 2006





Mary Taylor, CPA
Auditor of State

Board of Trustees
Upper Sandusky Exempted Village School District
800 N. Sandusky Avenue
Upper Sandusky, Ohio 43351

We have reviewed the *Report of Independent Accountants* of the Upper Sandusky Exempted Village School District, Wyandot County, prepared by Kennedy, Cottrell + Associates, for the audit period July 1, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 28, 2007

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

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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, 2006, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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
December 22, 2006

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

This discussion and analysis of the Upper Sandusky Exempted Village School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2006, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities decreased \$403,156, or 15.3 percent, a significant change from the prior year. The fund most affected by the decrease in cash and investments was the General Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.
- The District's general receipts are primarily property taxes, income taxes, and intergovernmental aid. These receipts represent respectively 35%, 7.5%, and 34.7% of the total cash received for governmental activities during the year.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$2.2 million, a decrease of 403,156 or 15.3% in comparison with the prior year. Of this total amount, \$1.7 million is available for spending at the government's discretion (unreserved fund balance).

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the District reports governmental activities, which are the District's basic services. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
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(UNAUDITED)**

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the District's programs.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Investments	\$2,226,340	\$2,629,496
Total Assets	\$2,226,340	\$2,629,496
Net Assets		
Restricted for:		
Capital Outlay	119,683	119,330
Other Purposes	512,162	466,888
Unrestricted	1,594,495	1,683,278
Total Net Assets	\$2,226,340	\$2,269,496

As mentioned previously, net assets of governmental activities decreased \$403,156 or 15.3 percent during 2006.

Because for 2005, the District prepared its basic financial statements in accordance with generally accepted accounting principles, we have not prepared a comparison schedule of changes in net assets for 2006 and 2005 for the District's governmental activities. In future years, we will present such a schedule on the modified cash basis of accounting.

Program receipts represent only 18.1 percent of total receipts and are comprised of charges for services and sales and operating grants and contributions.

General receipts represent 81.9 percent of the District's total receipts, and of this amount, over 51.8 percent are local taxes. State and federal grants and entitlements make up 45.7 percent of the District's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Governmental Activities

Table 2 shows the change in net assets for the fiscal year ended June 30, 2006.

(Table 2)
Changes in Net Assets

	2006
Revenues:	
Program Revenues	
Charges for Services	\$ 1,638,028
Operating Grants	992,975
Total Program Revenues	2,631,003
General Revenues	
Taxes	6,180,068
Grants and Entitlements	5,056,618
Other Revenue	691,087
Total General Revenue	11,927,773
Total Revenues	14,558,776
Expenses:	
Program Expenses	
Instruction	7,776,963
Support Services	5,260,998
Non-Instructional	848,620
Extra Curricular Activities	554,022
Capital Outlay	3,394
Principal Retirement	465,264
Miscellaneous	52,671
Total Expenses	14,961,932
 Changes in Net Assets	 \$ (403,156)

General revenues comprise 82% of the District's revenues with property taxes and unrestricted state entitlements being the primary contributors. Instruction and support services are the major activities of the Library, accounting for 52% and 35% of total expenses, respectively.

Due to the 2005 basic financial statements being prepared its basic financial statements in accordance with generally accepted accounting principles, we have not prepared a comparison schedule of changes in net assets for 2006 and 2005 for the District's governmental activities. In future years, we will present such a schedule on the modified cash basis of accounting.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(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.

(Table 3)

	Total Cost of Services 2006	Net Cost of Services 2006
	<u>2006</u>	<u>2006</u>
Governmental Activities		
Instruction		
Regular	\$ 5,700,558	\$ 5,241,141
Special	1,203,988	847,517
Vocational	42,058	32,035
Adult/Continuing	21,336	(3,172)
Other Instruction	809,023	756,266
Support Services		
Pupils	694,640	597,937
Instructional Staff	516,002	347,625
Board of Education	98,537	98,537
Administration	1,228,875	1,164,849
Fiscal Services	764,293	764,293
Maintenance	1,129,973	1,119,269
Pupil Transportation	783,555	783,329
Central	45,123	45,123
Non-instructional Services	848,620	57,806
Extra Curricular Activities	554,022	314,045
Capital Outlay	3,394	3,394
Principal Retirement	465,264	108,264
Interest and Fiscal Charges	52,671	52,671
Total Expenses	<u>\$ 14,961,932</u>	<u>\$ 12,330,929</u>

The District's reliance on general revenues is indicated by the net cost of services column reflecting the need for \$12.3 million of support as well as Table 2 on the preceding page demonstrating that general revenues comprise 82% of the District's total revenues.

Due to the 2005 basic financial statements being prepared in accordance with generally accepted accounting principles, we have not prepared a comparison schedule of total and net cost of services for 2006 and 2005 for the District's governmental activities. In future years, we will present such a schedule on the modified cash basis of accounting.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The District'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 \$1.2 million, a decrease of \$403 thousand in comparison with the prior year. Approximately 77% of this amount (\$1,713,672) 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 (\$119,097) or for a variety of other purposes (\$393,571).

The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2006 and 2005.

	<u>Fund Balance</u> <u>June 30, 2006</u>	<u>Fund Balance</u> <u>June 30, 2005</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 1,594,495	\$ 1,843,469	\$ (248,974)
Other Governmental	631,845	786,027	(154,182)
Total	<u>\$ 2,226,340</u>	<u>\$ 2,629,496</u>	<u>\$ (403,156)</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 \$1.1 million, while total fund balance was \$1.6 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 8.8% of total general fund expenditures, while total fund balance represents 12.2% 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.

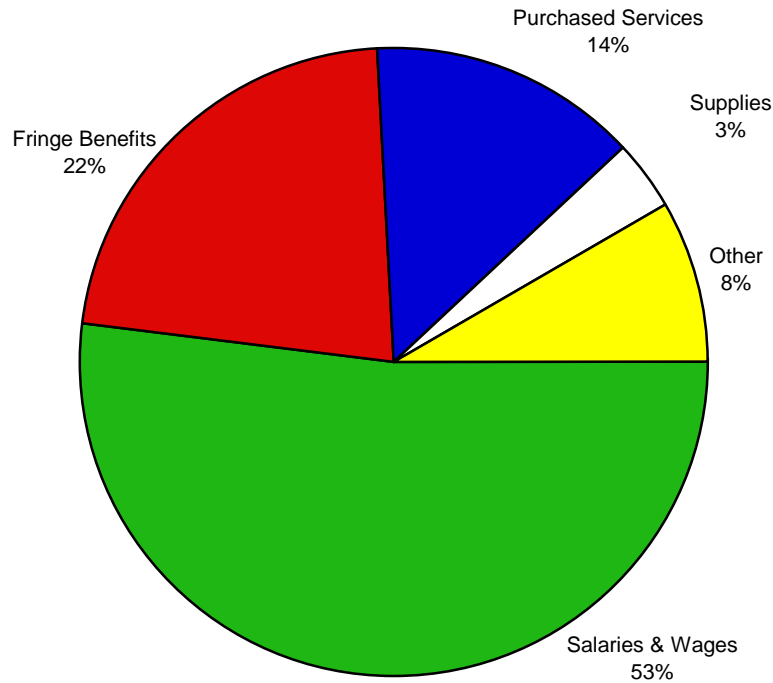
Revenues	2006 Amount	2005 Amount	Percentage Change
General Taxes	\$ 6,180,068	\$ 5,993,905	3.11%
Intergovernmental	5,447,952	5,126,785	6.26%
Tuition and Fees	490,827	449,629	9.16%
Other	310,279	302,107	2.71%
Total	<u>\$ 12,429,126</u>	<u>\$ 11,872,426</u>	4.69%

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

General Fund Revenue Comparative Analysis

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.



	2006 Amount	2005 Amount	Change	Percent Change
Expenditures by Object:				
Salaries and Wages	\$ 6,783,310	\$ 6,905,503	\$ (122,193)	-1.77%
Fringe Benefits	2,897,583	2,828,615	68,968	2.44%
Purchased Services	1,818,383	1,531,550	286,833	18.73%
Supplies	446,063	370,451	75,612	20.41%
Capital Outlay	133,124	114,550	18,574	16.21%
Miscellaneous	966,619	929,253	37,366	4.02%
Total	\$ 13,045,082	\$ 12,679,922	\$ 365,160	2.88%

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

General Fund Budgeting Highlights

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

During 2006, the District amended its General Fund budget to reflect changing circumstances. Final budgeted receipts increased \$170,000, or 1.4%, over the original budgeted receipts. Final appropriations were the same as original appropriations.

Final disbursements were budgeted at \$13,255,618 while actual disbursements were \$13,080,315.

Capital Assets and Debt Administration

Capital Assets

Because the District reports on the modified cash basis of accounting, it does not track capital asset activity for financial reporting purposes

Debt

At June 30, 2006, the District's outstanding debt consisted mainly of energy conservation bonds and capital leases for facilities and equipment. For further information regarding the District's debt, refer to Note 13 to the basic financial statements.

Current Issues

A major challenge facing the 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.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nathan Lynch, Treasurer, Upper Sandusky Exempted Village School District, 800 N. Sandusky Ave., Upper Sandusky, Ohio, 43351.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2006

	Governmental <u>Activities</u>
Assets	
Cash and Investments	\$ 1,821,202
Beneficial Interest in Assets Held by Others	10,138
Cash with Fiscal Agent	1,429
Restricted Cash	<u>393,571</u>
Total Assets	<u>2,226,340</u>
 Net Assets	
Restricted for:	
Capital Projects	119,683
Other Purposes	512,162
Unrestricted	<u>1,594,495</u>
Total Net Assets	<u>\$ 2,226,340</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 5,700,558	\$ 365,434	\$ 93,983	\$ (5,241,141)
Special	1,203,988	73,500	282,970	(847,518)
Vocational	42,058	10,023	-	(32,035)
Adult/Continuing	21,336	-	24,509	3,173
Other Instruction	809,023	49,000	3,757	(756,266)
Support Services				
Pupils	694,640	-	96,703	(597,937)
Instructional Staff	516,002	-	168,377	(347,625)
Board of Education	98,537	-	-	(98,537)
Administration	1,228,875	30,940	33,086	(1,164,849)
Fiscal Services	764,293	-	-	(764,293)
Maintenance	1,129,973	9,870	834	(1,119,269)
Pupil Transportation	783,555	-	226	(783,329)
Central	45,123	-	-	(45,123)
Non-instructional Services	848,620	502,284	288,530	(57,806)
Extra Curricular Activities	554,022	239,977	-	(314,045)
Capital Outlay	3,394	-	-	(3,394)
Principal Retirement	465,264	357,000	-	(108,264)
Interest and Fiscal Charges	52,671	-	-	(52,671)
Total Governmental Activities	\$ 14,961,932	\$ 1,638,028	\$ 992,975	\$ (12,330,929)

General Revenues	
Property Taxes Levied for General Purposes	5,086,794
Income Taxes	1,093,274
Grants & Entitlements not Restricted to Specific Programs	5,056,618
Payment in Lieu of Taxes	391,334
Investment Earnings	86,559
Miscellaneous	213,194
Total General Revenues	11,927,773

Change in Net Assets	(403,156)
Net Assets Beginning of Year	2,629,496
Net Assets End of Year	\$ 2,226,340

See accompanying notes to the basic financial statements.

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

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Investments	\$ 1,200,924	\$ 620,278	\$ 1,821,202
Beneficial Interest in Assets Held by Others	-	10,138	10,138
Cash with Fiscal Agent	-	1,429	1,429
Restricted Cash and Cash Equivalents	393,571	-	393,571
Total Assets	1,594,495	631,845	2,226,340
Fund Balances:			
Reserved			
Encumbrances	56,862	62,235	119,097
Budget Stabilization	151,993	-	151,993
Capital Acquisitions	241,578	-	241,578
Unreserved, Reported in:			
General Fund	1,144,062	-	1,144,062
Debt Service Fund	-	4,322	4,322
Special Revenue Funds	-	494,526	494,526
Capital Project Funds	-	70,762	70,762
Total Fund Balances	\$ 1,594,495	\$ 631,845	\$ 2,226,340

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 5,086,794	\$ -	\$ 5,086,794
Income Taxes	1,093,274	-	1,093,274
Intergovernmental	5,447,952	982,899	6,430,851
Interest	86,402	157	86,559
Tuition and Fees	490,827	67,537	558,364
Extracurricular Activities	-	230,080	230,080
Food Service	-	413,856	413,856
Other Revenues	<u>223,877</u>	<u>71,413</u>	<u>295,290</u>
Total Revenues	<u>12,429,126</u>	<u>1,765,942</u>	<u>14,195,068</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,583,438	117,120	5,700,558
Special	915,514	288,474	1,203,988
Vocational	42,058	-	42,058
Adult/Continuing	-	21,336	21,336
Other	801,972	7,051	809,023
Support services:			
Pupils	599,771	94,869	694,640
Instructional staff	340,821	175,181	516,002
Board of Education	98,537	-	98,537
Administration	1,153,667	75,208	1,228,875
Fiscal	764,293	-	764,293
Operation and Maintenance of Plant	1,109,134	20,839	1,129,973
Pupil Transportation	782,906	649	783,555
Central	45,123	-	45,123
Non-instructional Services	-	848,620	848,620
Extracurricular Activities	289,913	264,109	554,022
Capital Outlay	-	3,394	3,394
Debt service:			
Principal Retirement	465,264	-	465,264
Interest and Fiscal Charges	<u>52,671</u>	<u>-</u>	<u>52,671</u>
Total Expenditures	<u>13,045,082</u>	<u>1,916,850</u>	<u>14,961,932</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(615,956)</u>	<u>(150,908)</u>	<u>(766,864)</u>
Other financing sources (uses):			
Donated Commodities	-	-	-
Other Financing Sources	2,142	4,566	6,708
Proceeds from Notes	357,000	-	357,000
Premium on the Issuance of Bonds	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Advance In	7,840	-	7,840
Advance Out	<u>-</u>	<u>(7,840)</u>	<u>(7,840)</u>
Total other financing sources (uses)	<u>366,982</u>	<u>(3,274)</u>	<u>363,708</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(248,974)</u>	<u>(154,182)</u>	<u>(403,156)</u>
Fund Balance at Beginning of Year, as restated	<u>1,843,469</u>	<u>786,027</u>	<u>2,629,496</u>
Fund Balance at End of Year	<u>\$ 1,594,495</u>	<u>\$ 631,845</u>	<u>\$ 2,226,340</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Total Revenues	<u>\$ 11,750,000</u>	<u>\$ 11,920,000</u>	<u>\$ 12,407,488</u>	<u>\$ 487,488</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,694,958	5,694,958	5,583,807	111,151
Special	934,962	934,962	915,619	19,343
Vocational	50,773	50,773	84,925	(34,152)
Other	489,723	489,723	801,972	(312,249)
Support Services:				
Pupils	624,979	624,979	631,490	(6,511)
Instructional Staff	340,577	340,577	341,012	(435)
Board of Education	92,262	92,262	98,710	(6,448)
Administration	1,244,958	1,244,958	1,158,152	86,806
Fiscal	771,890	771,890	764,293	7,597
Operations of Maintenance of Plant	1,213,245	1,213,245	1,121,591	91,654
Pupil Transportation	871,778	871,778	783,605	88,173
Central	33,320	33,320	45,123	(11,803)
Extracurricular Activities	370,693	370,693	289,913	80,780
Debt Service:				
Principal Retirement	492,000	492,000	442,265	49,735
Interest and Fiscal Charges	29,500	29,500	17,838	11,662
Total Expenditures	<u>13,255,618</u>	<u>13,255,618</u>	<u>13,080,315</u>	<u>175,303</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,505,618)</u>	<u>(1,335,618)</u>	<u>(672,827)</u>	<u>662,791</u>
Other Financing Sources (Uses):				
Proceeds from Notes	-	-	357,000	357,000
Transfers In	2,142	2,142	2,142	-
Transfers Out	(15,000)	(15,000)	-	15,000
Advances In	7,840	7,840	7,840	-
Advances - Out	(40,000)	(40,000)	-	40,000
Total Other Financing Sources (Uses)	<u>(45,018)</u>	<u>(45,018)</u>	<u>366,982</u>	<u>412,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,550,636)</u>	<u>(1,380,636)</u>	<u>(305,845)</u>	<u>1,074,791</u>
Fund Balances at Beginning of Year	1,577,305	1,577,305	1,577,305	-
Prior Year Encumbrances Appropriated	266,164	266,164	266,164	-
Fund Balances at End of Year	<u>\$ 292,833</u>	<u>\$ 462,833</u>	<u>\$ 1,537,624</u>	<u>\$ 1,074,791</u>

See accompanying notes to the basic financial statements.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2006

	Agency Funds
Assets:	
Cash and Investments	\$ <u>45,037</u>
Total Assets	<u>45,037</u>
Net Assets	
Restricted Net Assets	<u>45,037</u>
Total Net Assets	<u>\$ 45,037</u>

See accompanying notes 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, 2006**

Note 1 - Reporting Entity

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 and 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 the entire City of Upper Sandusky. The School District is staffed by 92 classified employees and 167 certified teaching personnel who provide services to 1,775 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District 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.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1 - Reporting Entity (continued)

C. Jointly Governed Organizations, Public Entity Risk Pools, and/or Related Organizations

The School District participates in two jointly governed organizations, two public entity risk pools, and is associated with 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 organizations is presented in Notes 16, 17, and 18 to the basic financial statements.

The District is the sole beneficiary of an endowment fund held by the Toledo Community Foundation. The Toledo Community Foundation is a not-for-profit corporation organized exclusively for charitable, religious, educational, and scientific purposes. Funds held by the Toledo Community Foundation are disbursed to the District upon request and approval by the Board of Trustees. Since the endowment fund solely benefits the District, the fund balance and financial activity of this fund is included in this report as part of Other Governmental Funds.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net assets presents the cash balance of the activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 - Summary of Significant Accounting Policies (continued)

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds - The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's only major fund is the General Fund.

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

Other Governmental Funds - The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - The School District has no proprietary funds.

Fiduciary Funds - The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District has no trust fund accounts. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 - Summary of Significant Accounting Policies (continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 was \$86,402.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside by the School District.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 - Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

The School District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, budget stabilization and capital acquisitions.

The reserves for budget stabilization and capital acquisitions represent money required to be set-aside by state statute.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The School District had no extraordinary or special items during the fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

A. Change in Basis of Accounting

For 2006, the School District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and non-major funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Fund Balance June 30, 2005	\$ 1,159,059	\$ 213,078	\$ 1,372,137
Eliminate Asset Accruals	(5,405,260)	(100,139)	(5,505,399)
Eliminate Inventory	(37,253)	(7,674)	(44,927)
Eliminate Prepaid Items	(19,262)	0	(19,262)
Eliminate Interfund Receivables (Payables)	(10,390)	10,390	0
Eliminate Liability Accruals	6,156,575	670,372	6,826,947
Adjusted Fund Balance June 30, 2005	<u>\$1,843,469</u>	<u>\$ 786,027</u>	<u>\$ 2,629,496</u>

Governmental Activities Net Assets June 30, 2005 \$ 5,477,030

Eliminate Government-Wide Financial Statements Adjustments:

Accrued Interest Receivable	(1,587)
Due from Other Governments	(100,139)
Taxes Receivable	(5,403,673)
Capital Assets	(5,306,621)
Other Assets	(78,825)
Due to Other Governments	317,958
Accrued Liabilities	1,206,770
Deferred Revenue	4,873,276
Notes Payable	357,000
General Obligation Bonds Payable	832,767
Compensated Absences Payable	369,551
Capital Leases Payable	85,989
Adjusted Governmental Activities Net Assets June 30, 2005	<u>\$ 2,629,496</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 4 – Accountability and Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

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

The following funds had appropriations in excess of total estimated resources at June 30, 2006:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
003 Permanent Improvement	\$ 129,624	\$ 355,000	\$ 225,376
200 Student Managed Activity	155,168	190,785	35,617
416 Teacher Development	19	15,000	14,981
450 Schoolnet	11,682	22,000	10,318
516 Title VI-B	403,982	443,753	39,771
573 Title VI	8,530	9,229	699
584 Drug Free Schools	4,824	9,611	4,787
590 Title II-A	61,552	74,144	12,592

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.”

The following funds had expenditures in excess of appropriations at the fund level (the legal level of control) at June 30, 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Excess</u>
006 Food Service	\$ 613,648	\$ 621,554	\$ 7,906
009 Uniform Supply	55,896	55,994	98
008 Endowment	5,950	8,440	2,490
459 Ohio Reads	6,746	17,211	10,465
572 Title I	113,489	121,652	8,163
599 Technology, Title II-D	13,433	56,025	42,592

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$ 56,862
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Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6 - Deposits and Investments (continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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.

At year end, the School District had \$3,300 in undeposited cash on hand which is included as part of "Cash and Investments".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$614,271 of the School District's bank balance of \$792,237 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.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2006, the School District's only investment was STAR Ohio in the amount of \$1,586,632. All investments in STAR Ohio have a maturity of less than one year.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6 - Deposits and Investments (continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The School District's investment in STAR Ohio was not exposed to custodial credit risk.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Wyandot, Marion and Crawford counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 7 - Property Taxes (continued)

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$ 143,635,600	62%	\$ 147,937,280	65%
Industrial/Commercial	36,061,700	15%	36,838,100	16%
Public Utility Property	9,103,480	4%	9,030,168	4%
Tangible Personal Property	44,378,919	19%	35,381,523	15%
Total Assessed Value	<u>\$ 233,179,699</u>	<u>100%</u>	<u>\$ 229,187,071</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.30		\$ 35.30	

Note 8 - Income Taxes

On November 8, 2005, the School District voters passed a $\frac{3}{4}$ percent income tax levy for current expenses on the school district income of individuals and estates. The tax was effective on January 1, 2006, and will continue for 5 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 receipts are recorded in the General Fund.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$250,000,000
Automobile Liability	1,000,000
Commercial Umbrella	5,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 9 - Risk Management (continued)

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.

Note 10 - 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, 2006, 2005, and 2004, were \$218,297, \$278,130, and \$264,562, respectively. 50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 10 - Defined Benefit Pension Plans (continued)

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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2006, 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, 2006, 2005, and 2004 were \$841,284, \$972,243, and \$947,150, respectively; 83 percent has been contributed for fiscal years 2006 and 100 percent for fiscal years 2005 and 2004.

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, 2006, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 – 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 fiscal years of qualifying service credit, and to 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 11 – Post-Employment Benefits (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation is 3.43%. 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 2006, the minimum pay has been established as \$27,400. 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. Net health care costs for the year ending June 30, 2006 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 58,123.

The portion of the District's fiscal year 2006 contributions that were used to fund postemployment benefits, including the surcharge, was \$77,128.

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.

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 2006 was \$60,068.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 12 - Notes Payable

The changes in the School District's notes payable during fiscal year 2006 were as follows:

	Interest Rate	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Bond Anticipation Note</u>					
2005 Issue	4.05%	\$ 357,000	\$ 0	\$ (357,000)	\$ 0
2006 Issue	4.50%	\$ 0	\$ 357,000	\$ 0	\$ 357,000
Total		<u>\$ 357,000</u>	<u>\$ 357,000</u>	<u>\$ (357,000)</u>	<u>\$ 357,000</u>

On June 1, 2005, the School District issued a short-term Energy Conservation Improvement Bond Anticipation Note in the amount of \$357,000. All note proceeds were spent in fiscal year 2005. On June 1, 2006, the Note was rolled-over at 4.50%. The bond anticipation note is backed by the full faith and credit of the School District and matures within one year.

Note 13 – Debt

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year
Energy Conservation Bonds:					
Issued 5/97, matures 3/07	\$ 18,131	\$ -	\$ (8,825)	\$ 9,306	\$ 9,306
Issued 7/04, matures 6/19	800,000	-	(45,000)	755,000	45,000
Total	<u>\$ 818,131</u>	<u>\$ -</u>	<u>\$ (53,825)</u>	<u>\$ 764,306</u>	<u>\$ 54,306</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 13 – Debt (continued)

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

Year ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		55,000	25,863	80,863
2012-2016		295,000	93,747	388,747
2017-2020		<u>215,000</u>	<u>21,470</u>	<u>236,470</u>
		<u>\$ 764,306</u>	<u>\$ 263,192</u>	<u>\$ 1,027,498</u>

The Ohio Revised Code provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9% of the total value of all property in the school district as listed and assessed for taxation. In addition, the un-voted net debt of a school district cannot exceed .1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2006, the District's total net debt was approximately .33% of the total assessed value of all property within the school district.

Note 14 – Capital Leases

The School District leases copiers and computers under non-cancelable leases. The School District disbursed \$57,832 to pay lease costs for the year ended June 30, 2006. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 31,709
2008	31,709
2009	<u>31,709</u>
Total	<u>\$ 95,127</u>

Amount representing interest: \$ 8,072

Note 15 - Set Aside Requirements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 15 - Set Aside Requirements (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2006.

	<u>Texbook Reserve</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2005	\$ (248,916)	\$ 0	\$ 151,993	\$ (96,923)
Current year set-aside requirements	256,036	256,036	0	512,072
Qualifying disbursements	<u>(91,195)</u>	<u>(14,458)</u>	<u>0</u>	<u>(105,653)</u>
	<u>\$ (84,075)</u>	<u>\$ 241,578</u>	<u>\$ 151,993</u>	<u>\$ 309,496</u>
 Set-aside balance carried forward to future fiscal years	 <u>\$ (84,075)</u>	 <u>\$ 241,578</u>	 <u>\$ 151,993</u>	
 Set-aside reserved balance as of June 30, 2006	 <u>\$ 0</u>	 <u>\$ 241,578</u>	 <u>\$ 151,993</u>	

The School District had qualifying cash disbursements during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. Although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the School District has opted to maintain their reserve to offset any budget deficit the School District may experience in future fiscal years.

Note 16 – Interfund Receivables/Payables

At June 30, 2006, the General Fund had an unpaid interfund cash advance, in the amount of \$2,550, for a short-term loan made to the emergency response special revenue fund. This amount is expected to be repaid within one year.

Note 17 – Contingent Liabilities

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 18 - 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 Linda Hoch, who serves as Director, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 18 - Jointly Governed Organizations (continued)

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.

Note 19 – Public Entity Risk 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 20 - Related Organization

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, 2006

Note 21 - State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

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



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, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2006. 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 item 2006-1.

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 three 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 2006-2 through 2006-4.

We also noted certain other matters that we reported to management of the District in a separate letter dated December 22, 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
December 22, 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, 2006. 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, 2006. 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 2006-5.

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 2006-6.

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
December 22, 2006

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal grantor/Pass through grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass through number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Pass-through State Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550		\$ -	\$ 14,169	\$ -	\$ 12,298
School Breakfast Program	10.553	045625-05PU	20,352		20,352	
National School Lunch Program	10.555	045625-LLP4	153,758	-	153,758	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>174,110</u>	<u>14,169</u>	<u>174,110</u>	<u>12,298</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Emergency Response & Crisis Management	84.184E		45,136	-	52,535	
<i>Pass-through Ohio Department of Education:</i>						
Adult Education State Grant Program	84.002	045625-ABS1	29,254	-	25,466	-
Title I Grants to Local Education Agencies	84.010	045625-C1S1	119,621	-	121,652	-
Special Education-Grants to States	84.027	045625-6BSF	402,517	-	411,021	-
Safe and Drug Free Schools and Communities - State Program	84.186	045625-DRS1	3,942	-	7,402	-
Innovative Education Program Strategies	84.298	045625-C2S1	7,381	-	12,363	-
Title II-D Technology Fund	84.318	045625-TJS1	202	-	3,491	-
Title II-A - Improving Teacher Quality	84.367	045625-TRS1	66,789	-	64,407	-
Total U.S. Department of Education			<u>674,842</u>	<u>-</u>	<u>698,337</u>	<u>-</u>
Totals			<u>\$ 848,952</u>	<u>\$ 14,169</u>	<u>\$ 872,447</u>	<u>\$ 12,298</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 OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2006

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, 2006, 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, 2006

1. SUMMARY OF AUDITOR'S RESULTS
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(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?	No

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

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

JUNE 30, 2006

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

2006-1 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 2006 were approximately \$384,700. Despite the lack of support documentation, we were able to obtain assurance over the account balance through additional testing using analytical procedures.

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.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

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

JUNE 30, 2006

2006-2 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 at June 30, 2006:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
003 Permanent Improvement	\$ 129,624	\$ 355,000	\$ 225,376
200 Student Managed Activity	155,168	190,785	35,617
416 Teacher Development	19	15,000	14,981
450 Schoolnet	11,682	22,000	10,318
516 Title VI-B	403,982	443,753	39,771
573 Title VI	8,530	9,229	699
584 Drug Free Schools	4,824	9,611	4,787
590 Title II-A	61,552	74,144	12,592

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, 2006

2006-3 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 the following funds had expenditures in excess of appropriations at the fund level (the legal level of control) at June 30, 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Excess</u>
006 Food Service	\$ 613,648	\$ 621,554	\$ 7,906
009 Uniform Supply	55,896	55,994	98
008 Endowment	5,950	8,440	2,490
459 Ohio Reads	6,746	17,211	10,465
572 Title I	113,489	121,652	8,163
599 Technology, Title II-D	13,433	56,025	42,592

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.

2006-4 NONCOMPLIANCE: BASIS OF ACCOUNTING

Ohio Administrative Code Section 117-2-03 (B) states "All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles."

The District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. To be in compliance with the Ohio Administrative Code, the District should use generally accepted accounting principles in future annual financial reports; otherwise, the District can be fined and various other administrative remedies may be taken against the District.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

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

JUNE 30, 2006

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2006-5 NONCOMPLIANCE: PAYROLL DOCUMENTATION

Federal Agency: U.S. Department of Agriculture
Passed Through: Ohio Department of Education
Federal Award Year: 2005 and 2006
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 \$341,653 for fiscal year 2006.

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

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

JUNE 30, 2006

2006-5 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.

2006-6 REPORTABLE CONDITION: FOOD SERVICE MEAL COUNTS

Federal Agency:	U.S. Department of Agriculture
Passed Through:	Ohio Department of Education
Federal Award Year:	2005 and 2006
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 handheld counters were used to count meals at the high school and middle school. 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 \$174,110 during fiscal year 2006.

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, 2006

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Status</u>
2005	2005-1	Not Corrected. Repeated as finding 2006-1.
2005	2005-2	Partially Corrected. Reported in separate Management Letter for 2006.
2005	2005-3	Corrected.
2005	2005-4	Not corrected. Repeated as finding 2006-2.
2005	2005-5	Not corrected. Repeated as finding 2006-3.
2005	2005-6	Not corrected. Repeated as finding 2006-5.
2005	2005-7	Not corrected. Repeated as finding 2006-6.



Upper Sandusky Exempted Village Schools

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Upper Sandusky, OH 43351

Phone: (419) 294-2306

Fax: (419) 294-6891

"A Tradition of Excellence"

www.upper sandusky.k12.oh.us

CORRECTIVE ACTION PLAN

12-21-2006

U.S. Department of Education

The Upper Sandusky Exempted Village School District respectively submits the following corrective action plan of the year ended June 30, 2006.

Independent Public Accounting Firm

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

The findings from the June 30, 2006 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:

2006-1

It has been discussed accordingly and cash registers have been purchased and better controls are in place in all buildings.

NONCOMPLIANCE:

2006-2

Appropriation changes and adjustments will be done in a throughout the year in an organized manner, with Board Of Education approval.

2006-3

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

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF AGRICULTURE

2006-4

Salaried employees will complete a form documenting the percentage of time they are working in food service. Federally funded employees, who are compensated on an hourly basis, will be required to complete hourly timesheets.

2006-5

The School District has purchased cash registers, which is has started to help alleviate any problems in this area.

DEPARTMENT OF EDUCATION

2006-4

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



Nathan Lynch, Treasurer



Mary Taylor, CPA
Auditor of State

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 13, 2007