

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**



Mary Taylor, CPA
Auditor of State

Board of Education
Carey Exempted Village School District
357 E. South Street
Carey, Ohio 43316

We have reviewed the *Independent Auditor's Report* of the Carey Exempted Village School District, Wyandot County, prepared by Lublin Sussman Group LLP, for the audit period July 1, 2006 through June 30, 2007. 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 Carey Exempted Village School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2008

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - Cash Basis.....	13
Statement of Activities - Cash Basis.....	14
Fund Financial Statements	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds.....	15
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Governmental Funds.....	16
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) - General Fund.....	17
Statement of Fiduciary Net Assets - Cash Basis - Fiduciary Funds.....	18
Statement of Changes in Net Cash Assets - Fiduciary Funds.....	19
Notes to the Basic Financial Statements.....	20-43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	44-45
Schedule of Findings and Responses.....	46
Schedule of Prior Audit Findings.....	47

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Carey Exempted Village School District
357 E. South Street
Carey, OH 43316

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carey Exempted Village School District, Wyandot County (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 our audit provides a reasonable basis for our opinion.

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 described in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, we believe are material, but are not readily determinable.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County as of and for the year ended June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting described in Note 2.

For the year ended June 30, 2007, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

www.lublinsussman.com

Douglas J. Welch, CPA, CVA
Lee D. Wunschel, CPA
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Terri S. Lee, CPA

Members:
American Institute of Certified Public Accountants
AICPA—Private Companies Practice Section
Ohio Society of Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007, 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, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Seiblin Sussman Group LLP

November 21, 2007
Toledo, Ohio

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

The management's discussion and analysis of the Carey Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2007, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net cash assets of the District increased \$1,341,587 or 47.29% from fiscal year 2006.
- General cash receipts accounted for \$7,541,679 or 84.41% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,392,834 or 15.59% of total governmental activities cash receipts.
- The District had \$7,592,926 in cash disbursements related to governmental activities; \$1,392,834 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$7,541,679 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had cash receipts and other financing sources of \$7,833,197 in 2007. The cash disbursements and other financing uses of the general fund totaled \$6,515,525 in 2007. The general fund's cash balance increased \$1,317,672 from 2006 to 2007.

Using this Cash Basis Basic Financial Statements (BFS)

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

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there is one major governmental fund. The general fund is the only major fund.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, "How did we do financially during 2007?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 13 - 14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

Reporting the District's Most Significant Funds (Continued)

Fund Financial Statements (Continued)

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 18-19.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-43 of this report.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

Government-Wide Financial Analysis

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the District as a whole. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

The table below provides a summary of the District's net cash assets for 2007 and 2006.

	Net Cash Assets	
	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 4,178,140	\$ 2,836,112
Cash and cash equivalents with fiscal agent	<u>513</u>	<u>954</u>
Total assets	<u>4,178,653</u>	<u>2,837,066</u>
<u>Net Cash Assets</u>		
Restricted	519,846	498,291
Unrestricted	<u>3,658,807</u>	<u>2,338,775</u>
Total net cash assets	<u>\$ 4,178,653</u>	<u>\$ 2,837,066</u>

The total net cash assets of the District increased \$1,341,587, which represents a 47.29% increase over fiscal year 2006.

The balance of government-wide unrestricted net cash assets of \$3,658,807 may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities change in net cash assets for 2007 and 2006 is presented in the table below. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

The table below shows the changes in net cash assets for fiscal year 2007 and 2006

	Change in Net Cash Assets	
	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 760,199	\$ 856,797
Operating grants and contributions	617,590	590,026
Capital grants and contributions	<u>15,045</u>	<u>8,490</u>
Total program cash receipts	<u>1,392,834</u>	<u>1,455,313</u>
General cash receipts:		
Property and other taxes	3,361,614	3,090,591
Unrestricted grants	3,924,182	3,635,659
Investment earnings	189,514	105,117
Other	<u>66,369</u>	<u>120,563</u>
Total general cash receipts	<u>7,541,679</u>	<u>6,951,930</u>
Total cash receipts	<u>8,934,513</u>	<u>8,407,243</u>
Cash Disbursements:		
Instruction:		
Regular	3,074,962	2,960,941
Special	823,993	775,563
Vocational	358,998	412,191
Other	251,067	295,261
Support services:		
Pupil	318,610	323,909
Instructional staff	362,483	365,119
Board of education	37,236	36,605
Administration	588,400	577,802
Fiscal	274,844	295,855
Operations and maintenance	456,592	529,640
Pupil transportation	230,522	236,312
Central	46,692	44,513
Operation of non instruction	125,983	127,417
Food service operations	278,563	266,250
Extracurricular	<u>363,981</u>	<u>344,448</u>
Total cash disbursements	<u>7,592,926</u>	<u>7,591,826</u>
Change in net cash assets	1,341,587	815,417
Net cash assets at beginning of year	<u>2,837,066</u>	<u>2,021,649</u>
Net cash assets at end of year	<u>\$ 4,178,653</u>	<u>\$ 2,837,066</u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

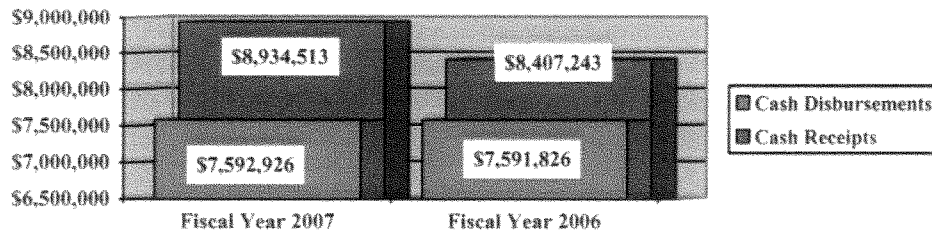
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Governmental Activities

Governmental cash assets increased by \$1,341,587 in 2007 from 2006. Total governmental disbursements of \$7,592,926 were offset by program receipts of \$1,392,834 and general receipts of \$7,541,679. Program revenues supported 18.47% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, and grants and entitlements. These receipt sources represent 81.55% of total governmental receipts. Real estate is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



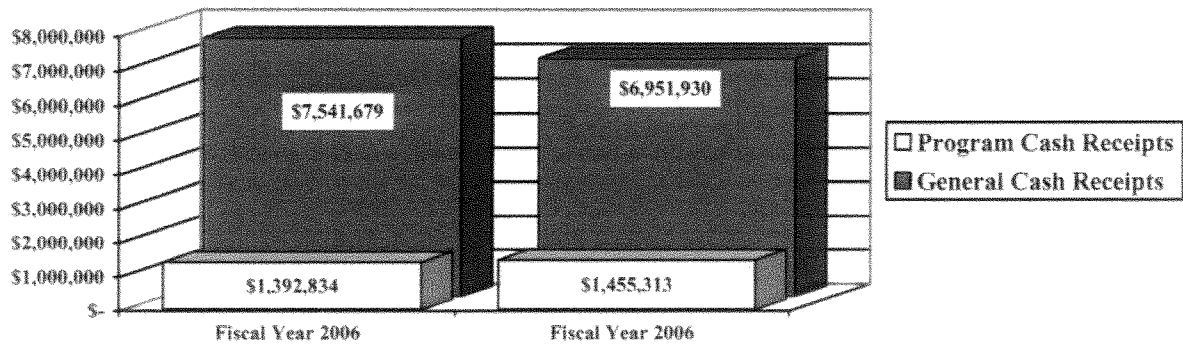
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Cash disbursements				
Instruction:				
Regular	\$ 3,074,962	\$ 2,595,717	\$ 2,960,941	\$ 2,416,749
Special	823,993	523,930	775,563	498,441
Vocational	358,998	358,998	412,191	412,191
Other	251,067	228,412	295,261	287,503
Support services:				
Pupil	318,610	296,673	323,909	297,732
Instructional staff	362,483	295,957	365,119	295,581
Board of education	37,236	37,236	36,605	36,605
Administration	588,400	586,016	577,802	575,302
Fiscal	274,844	274,844	295,855	295,855
Operations and maintenance	456,592	455,611	529,640	525,231
Pupil transportation	230,522	228,440	236,312	234,942
Central	46,692	33,731	44,513	39,513
Operation of noninstruction	125,983	7,291	127,417	6,172
Food service operations	278,563	4,583	266,250	(11,952)
Extracurricular	363,981	272,653	344,448	226,648
Total	\$ 7,592,926	\$ 6,200,092	\$ 7,591,826	\$ 6,136,513

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

The dependence upon general cash receipts for governmental activities is apparent; with 81.66% of cash disbursements supported through taxes and other general cash receipts during 2007.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

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

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$4,178,653, which is \$1,341,587 above last year's total of \$2,837,066. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2007 and June 30, 2006, for all major and nonmajor governmental funds. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

	Fund Cash Balance <u>June 30, 2007</u>	Restated Fund Cash Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$ 3,676,133	\$ 2,358,461	\$ 1,317,672
Other Nonmajor Governmental Funds	<u>502,520</u>	<u>478,605</u>	<u>23,915</u>
Total	<u>\$ 4,178,653</u>	<u>\$ 2,837,066</u>	<u>\$ 1,341,587</u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$7,833,197 in 2007. The cash disbursements and other financing uses of the general fund, totaled \$6,515,525 in 2007. The general fund's cash balance increased \$1,317,672 from 2006 to 2007.

The table that follows assists in illustrating the cash receipts of the general fund.

	2007 <u>Amount</u>	Restated 2006 <u>Amount</u>	Percentage <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 3,172,314	\$ 2,901,363	9.34 %
Tuition	321,348	337,650	(4.83) %
Transportation fees	1,476	844	74.88 %
Earnings on investments	186,312	102,932	81.00 %
Other local revenues	213,338	298,832	(28.61) %
Intergovernmental	<u>3,888,409</u>	<u>3,612,615</u>	7.63 %
Total	<u>\$ 7,783,197</u>	<u>\$ 7,254,236</u>	7.29 %

Investment income cash receipts increased due to the increase in the District's cash balances and higher interest rates on investments. Although the percentage increase of transportation fees was significant, the actual dollar amount of increase was not significant. The decrease in other local revenue is a result of a decrease of several different revenue sources, including classroom materials and fees. All other revenue remained comparable to 2006.

The table that follows assists in illustrating the expenditures of the general fund.

	2007 <u>Amount</u>	Restated 2006 <u>Amount</u>	Percentage <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 4,079,884	\$ 4,077,492	0.06 %
Support services	2,149,940	2,207,237	(2.60) %
Extracurricular	<u>244,701</u>	<u>248,283</u>	(1.44) %
Total	<u>\$ 6,474,525</u>	<u>\$ 6,533,012</u>	(0.90) %

Cash disbursements remained comparable to 2006. Overall, cash disbursements decreased \$58,487 from 2006.

Budgeting Highlights - General Fund

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

Budgeting Highlights - General Fund (Continued)

For the general fund, final budget basis receipts and other financing sources were \$470,476 above original budget estimates of \$7,245,400. Actual cash receipts and other financing sources of \$8,084,947 were more than final budget estimates by \$369,071. The final budgetary basis disbursements and other financing uses of \$7,500,313 were \$76,443 above original budget estimates. The actual budgetary basis disbursements and other financing uses of \$7,015,763 were \$484,550 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had no facilities acquisition and construction disbursements during fiscal year 2007.

Debt Administration

The District has no long-term debt obligations outstanding at June 30, 2007.

Current Financial Related Activities

The preceding financial information reveals that the Carey Exempted Village School District has done an excellent job of managing the funds available to them. After thirteen years without seeking new operating money the District requested, and the voters approved a one percent income tax levy in November 2004. This levy was necessary due to the financial stress and burden placed on school districts by the state in recent years through the shifting of funding and the refusal by the state to comply with the Supreme Court's order to fix school funding.

Effective millage rates fell to the 20 mil floor in calendar year 2004 due to the triennial update. This will result in some amount of real property tax growth in future years. However, it will also result in less funding from the state foundation.

Due to House Bill 66, additional local dollars will be lost in the form of reduced personal tangible property taxes. All personal tangible property taxes are now scheduled to be phased out by 2009. These taxes amount to approximately one-sixth, or 17 percent, of the District's revenue. This means that the District will be losing in excess of one million dollars per year. The State has said that they will hold us harmless until 2010, and will phase out the reimbursement by 2018. Reimbursement for inventory will be made based on the previously enacted HB95 which had a scheduled phase out of the assessed rates already in place of 2 percent each year. Therefore, the District will not be "made whole" and will in effect lose dollars beginning in 2006.

The administration has already made cuts in spending and will continue to evaluate programs and expenditures and make adjustments as needed.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

The enrollment pattern has resulted in a slight decline in recent years. Open enrollment figures for fiscal year 2007 show a positive number of 15 students for those entering the District over those leaving the District. Open enrollment numbers are uncertain from year to year and, is therefore, monitored closely.

The Carey Exempted Village School District is committed to educational and financial excellence. The community has been very supportive of the school in all aspects of the educational process. We feel confident that this amiable relationship will continue and will benefit the entire community for many years to come.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Karen Phillips, Treasurer, Carey Exempted Village School District, 357 E. South Street, Carey, Ohio 43316.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,178,140
Cash and cash equivalents with fiscal agent.	513
 Total assets.	 4,178,653
 Net cash assets:	
Restricted for:	
Capital projects	187,960
State funded programs.	29,411
Federally funded programs.	29,709
Student activities.	18,776
Public school support.	4,394
Other purposes	249,596
Unrestricted	3,658,807
 Total net cash assets	 \$ 4,178,653

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Cash Disbursement	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 3,074,962	\$ 445,825	\$ 33,420	\$ -	\$ (2,595,717)
Special	823,993	-	300,063	-	(523,930)
Vocational	358,998	-	-	-	(358,998)
Other	251,067	22,655	-	-	(228,412)
Support services:					
Pupil	318,610	-	21,937	-	(296,673)
Instructional staff	362,483	-	51,481	15,045	(295,957)
Board of education	37,236	-	-	-	(37,236)
Administration	588,400	-	2,384	-	(586,016)
Fiscal	274,844	-	-	-	(274,844)
Operations and maintenance	456,592	981	-	-	(455,611)
Pupil transportation	230,522	1,476	606	-	(228,440)
Central	46,692	-	12,961	-	(33,731)
Operation of non-instructional services					
Food service operations	125,983	-	118,692	-	(7,291)
Extracurricular	278,563	197,934	76,046	-	(4,583)
Totals	<u>\$ 7,592,926</u>	<u>\$ 760,199</u>	<u>\$ 617,590</u>	<u>\$ 15,045</u>	<u>(6,200,092)</u>

General Cash Receipts:

Property and other taxes levied for:	
General purposes	3,172,314
Capital projects	189,300
Grants and entitlements not restricted to specific programs	3,924,182
Investment receipts	189,514
Miscellaneous	66,369
Total general cash receipts	<u>7,541,679</u>
Change in net cash assets	1,341,587
Net cash assets at beginning of year (restated)	<u>2,837,066</u>
Net cash assets at end of year	<u>\$ 4,178,653</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 3,625,647	\$ 502,007	\$ 4,127,654
Cash and cash equivalents with fiscal agent . . .	-	513	513
Restricted assets:			
Equity in pooled cash and cash equivalents . . .	50,486	-	50,486
Total assets	<u>\$ 3,676,133</u>	<u>\$ 502,520</u>	<u>\$ 4,178,653</u>
Fund cash balances:			
Reserved for encumbrances.	\$ 248,488	\$ 88,100	\$ 336,588
Reserved for textbooks	4,848	-	4,848
Reserved for school bus purchases	18,062	-	18,062
Reserved for budget stabilization	27,576	-	27,576
Unreserved, undesignated, reported in:			
General fund.	3,377,159	-	3,377,159
Special revenue funds	-	282,023	282,023
Capital projects funds	-	132,397	132,397
Total fund cash balances	<u>\$ 3,676,133</u>	<u>\$ 502,520</u>	<u>\$ 4,178,653</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	General	Other Governmental Funds	Total Governmental Funds
Cash receipts:			
From local sources:			
Taxes	\$ 3,172,314	\$ 189,300	\$ 3,361,614
Tuition	321,348	-	321,348
Transportation fees	1,476	-	1,476
Earnings on investments	186,312	3,202	189,514
Charges for services	-	195,362	195,362
Extracurricular	22,655	93,920	116,575
Classroom materials and fees	42,105	-	42,105
Other local revenues	148,578	123	148,701
Intergovernmental - intermediate	1,970	1,000	2,970
Intergovernmental - state	3,886,439	174,485	4,060,924
Intergovernmental - federal	-	493,924	493,924
Total cash receipts	<u>7,783,197</u>	<u>1,151,316</u>	<u>8,934,513</u>
Cash disbursements:			
Instruction:			
Regular	2,946,244	128,718	3,074,962
Special	523,575	300,418	823,993
Vocational	358,998	-	358,998
Other	251,067	-	251,067
Support services:			
Pupil	275,254	43,356	318,610
Instructional staff	294,763	67,720	362,483
Board of education	37,236	-	37,236
Administration	585,904	2,496	588,400
Fiscal	268,791	6,053	274,844
Operations and maintenance	416,416	40,176	456,592
Pupil transportation	229,884	638	230,522
Central	41,692	5,000	46,692
Operation of non-instructional services	-	125,983	125,983
Food service operations	-	278,563	278,563
Extracurricular	244,701	119,280	363,981
Total cash disbursements	<u>6,474,525</u>	<u>1,118,401</u>	<u>7,592,926</u>
Excess of cash receipts over cash disbursements	<u>1,308,672</u>	<u>32,915</u>	<u>1,341,587</u>
Other financing sources (uses):			
Transfers in	50,000	41,000	91,000
Transfers out	(41,000)	(50,000)	(91,000)
Total other financing sources (uses)	<u>9,000</u>	<u>(9,000)</u>	<u>-</u>
Net change in fund cash balances	1,317,672	23,915	1,341,587
Fund cash balances at beginning of year (restated)	<u>2,358,461</u>	<u>478,605</u>	<u>2,837,066</u>
Fund cash balances at end of year	<u><u>\$ 3,676,133</u></u>	<u><u>\$ 502,520</u></u>	<u><u>\$ 4,178,653</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Taxes	\$ 2,666,831	\$ 2,840,000	\$ 3,172,314	\$ 332,314
Tuition	284,995	303,500	321,348	17,848
Transportation fees	239	255	1,476	1,221
Earnings on investments	150,244	160,000	186,312	26,312
Extracurricular activities	20,431	21,758	22,655	897
Classroom materials and fees	36,152	38,500	42,105	3,605
Other local revenues	133,401	142,063	148,578	6,515
Intergovernmental - intermediate	1,890	1,800	1,970	170
Intergovernmental - state	3,665,014	3,903,000	3,886,439	(16,561)
Total budgetary basis receipts	<u>6,958,997</u>	<u>7,410,876</u>	<u>7,783,197</u>	<u>372,321</u>
Budgetary basis disbursements:				
Instruction:				
Regular	3,061,204	3,092,726	3,010,766	81,960
Special	592,024	598,120	545,278	52,842
Vocational	402,587	406,732	361,039	45,693
Other	322,693	326,016	261,206	64,810
Support services:				
Pupil	362,381	366,112	282,582	83,530
Instructional staff	345,381	348,937	310,165	38,772
Board of education	48,140	48,636	39,690	8,946
Administration	610,102	616,384	591,851	24,533
Fiscal	305,653	308,800	273,079	35,721
Operations and maintenance	504,917	510,116	485,767	24,349
Pupil transportation	275,879	278,720	274,997	3,723
Central	41,576	42,004	41,892	112
Extracurricular	258,350	261,010	244,701	16,309
Total budgetary basis disbursements	<u>7,130,887</u>	<u>7,204,313</u>	<u>6,723,013</u>	<u>481,300</u>
Excess of budgetary basis receipts over (under) budgetary basis disbursements	<u>(171,890)</u>	<u>206,563</u>	<u>1,060,184</u>	<u>853,621</u>
Other financing sources (uses):				
Transfers in	262,927	280,000	280,000	-
Transfers out	(268,238)	(271,000)	(271,000)	-
Advances in	23,476	25,000	21,750	(3,250)
Advances out	(24,745)	(25,000)	(21,750)	3,250
Total other financing sources (uses)	<u>(6,580)</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Net change in fund cash balance	<u>(178,470)</u>	<u>215,563</u>	<u>1,069,184</u>	<u>853,621</u>
Fund cash balance at beginning of year (restated)	2,167,066	2,167,066	2,167,066	-
Prior year encumbrances appropriated	191,395	191,395	191,395	-
Fund cash balance at end of year	<u>\$ 2,179,991</u>	<u>\$ 2,574,024</u>	<u>\$ 3,427,645</u>	<u>\$ 853,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents . . .	\$ 25,966	\$ 52,041
Total assets	\$ 25,966	\$ 52,041
 Net cash assets:		
Held in trust for scholarships	\$ 25,966	\$ -
Held for student activities	-	52,041
Total net cash assets	\$ 25,966	\$ 52,041

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**STATEMENT OF CHANGES IN NET CASH ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Interest	\$	1,213
Gifts and contributions.		1,582
		<u>2,795</u>
Deductions:		
Scholarships awarded		<u>1,900</u>
Change in net cash assets		895
Net cash assets at beginning of year (restated) .		<u>25,071</u>
Net cash assets at end of year.	\$	<u>25,966</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1886. The District serves an area of approximately fifty square miles. It is located in Wyandot and Seneca Counties. The District is the 522nd largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 38 classified employees and 72 certified employees who provide services to 858 students and other community members. The District currently operates one building which serves grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District. The District's primary government also includes the following:

Our Lady of Consolation

Within the District's boundaries, Our Lady of Consolation is operated as a private Catholic school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The financial activity is reflected in a special revenue fund of the District.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

The 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, Knox, Marion, Morrow, Muskingum 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 one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-six member board including the superintendents from the participating school districts. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

North Central Regional Professional Development Center

The North Central Regional Professional Development Center (the "Center") is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The Center was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Lorraine Earnest, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

PUBLIC ENTITY RISK POOLS

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency Inc., 246 East Sycamore Street, Columbus, Ohio 43205.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

Ohio School Board Association Workers' Compensation Group Rating Plan

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

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.

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 medical, dental, and life insurance 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 program 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 Kevin Foltz, Account Manager, 229 Huber Village Boulevard, Westerville, Ohio 43081-5325.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

RELATED ORGANIZATION

Dorcas Carey Library

The Dorcas Carey 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 Carey Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Dorcas Carey Library, Laura Toland, Clerk/Treasurer, 236 East Findlay Street, Carey, Ohio 43316.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the District's major governmental 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private-purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

D. Basis of Presentation

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

E. Budgets

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

The Early Childhood Preschool special revenue fund is a flow through grant in which the North Central Ohio Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the District's reporting entity for which the "appropriated budget" is adopted.

Tax Budget:

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement for the general fund reflect the amounts in the original and final amended certificates issued during fiscal year 2007.

Appropriations:

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. All supplemental appropriations were legally enacted by the Board during fiscal 2007.

The budget figures which appear in the statement of budgetary comparison for the general fund represent the original and final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the North Central Ohio Educational Service Center, consistent with statutory provisions.

Lapsing of Appropriations:

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

F. Cash and Investments

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

Cash and cash equivalents held for the District by the North Central Ohio Educational Service Center is included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

During 2007, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$186,312, which includes \$26,736 assigned from other funds.

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

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

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Fund Cash Balance Reserves

The District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances, textbooks, school bus purchases and budget stabilization.

K. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

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

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the 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 enabling legislation. The District had \$50,486 in restricted cash assets at June 30, 2007. See Note 12 for further information.

M. Interfund Activity

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

N. Extraordinary and Special Items

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

During 2007, the District changed from the cash basis of accounting to the cash basis of accounting in a format consistent with GASB Statement No. 34. The fund balances for June 30, 2006 have been restated to account for the change in accounting basis, which required several fund reclassifications, including the elimination of the District's proprietary funds.

For reporting in accordance with GASB Statement No. 34, the District is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column.

The transition from the cash basis of accounting to the cash basis of accounting in a format consistent with GASB Statement 34 had the following effect on fund balances at June 30, 2006:

	General	Nonmajor Governmental	Proprietary Funds	Total Governmental Activities
Fund Balance at June 30, 2006	\$ 2,348,321	\$ 442,594	\$ 46,151	\$ 2,837,066
Change in Reporting Basis Adjustments	10,140	36,011	(46,151)	-
Restated Fund Cash Balance at June 30, 2006	<u>\$ 2,358,461</u>	<u>\$ 478,605</u>	<u>\$ -</u>	<u>\$ 2,837,066</u>
Governmental Activities Net Cash Assets at June 30, 2006				<u>\$ 2,837,066</u>

The governmental activities net cash assets at June 30, 2006 equal the restated fund cash balances at June 30, 2006 since there are no adjustments required to convert the fund financial statements to the government-wide financial statements.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Cash on Hand

At year-end, the District had \$50 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$513 cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the financial statements as "Cash with Fiscal Agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 40.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

C. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$4,256,097. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$3,840,734 of the District's bank balance of \$4,256,074 was exposed to custodial risk as discussed below, while \$415,340 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 106% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District did not have any investments at June 30, 2007.

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

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

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 4,256,097
Cash on hand	50
Cash with fiscal agent	513
Total	<u>\$ 4,256,660</u>

<u>Cash and investments per Statement of Net Assets - Cash Basis</u>	
Governmental activities	\$ 4,178,653
Private-purpose trust fund	25,966
Agency fund	52,041
Total	<u>\$ 4,256,660</u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

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

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 41,000

Transfers to General Fund from:	
Nonmajor Governmental Funds	50,000

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

On July 27, 2006, \$50,000 was transferred from the capital projects fund to the general fund to fund the statutory reserves – capital acquisition. The statutory reserves – capital acquisition serves the same purpose as the capital projects fund.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (CONTINUED)

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Wyandot and Seneca Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (CONTINUED)

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

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$74,085,120	84.87	\$75,722,420	89.11
Public utility personal	121,370	0.14	94,910	0.11
Tangible personal property	<u>13,089,950</u>	<u>14.99</u>	<u>9,158,418</u>	<u>10.78</u>
Total	<u>\$87,296,440</u>	<u>100.00</u>	<u>\$84,975,748</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.90		\$52.90	

NOTE 7 - LONG-TERM OBLIGATIONS

The District had no long-term debt obligations outstanding at June 30, 2007.

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$7,647,817 and an unvoted debt margin of \$84,976.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 8 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the District participated in the Ohio School Plan (the "Plan"), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Coverage provided by Indiana Insurance Company is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$16,821,475
Inland Marine Coverage (\$250 deductible)	910,173
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

B. Workers' Compensation

The District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 8 - RISK MANAGEMENT (CONTINUED)

C. Health Insurance

The District participates in the Wyandot-Crawford Health Benefit Plan (the "Plan"), a public entity shared risk pool consisting of five school districts. The District pays monthly premiums to the Plan for medical, dental, and life 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 9 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$110,099, \$110,679 and \$82,333; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS (CONTINUED)

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS (CONTINUED)

B. State Teachers Retirement System (Continued)

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$483,273, \$475,438 and \$439,795; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$34,519 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282,743 million and STRS had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS - (CONTINUED)

is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$26,109 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs of \$133.756 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

NOTE 11 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 12 - STATUTORY RESERVES

The District is required by state statute to annually set-aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the 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 District was also required to set aside money for budget stabilization. For fiscal year 2007, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end. These reserves are calculated and presented on a cash basis. At fiscal year end, the District also has monies received by the State of Ohio that are restricted for school bus purchases.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 12 - STATUTORY RESERVES – (CONTINUED)

During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2006	\$ 14,811	\$ -	\$ 27,576
Current year set-aside requirement	134,994	134,994	-
Current year offsets	-	(189,300)	-
Qualifying disbursements	<u>(144,957)</u>	<u>(262,817)</u>	<u>-</u>
Total	<u>\$ 4,848</u>	<u>\$ (317,123)</u>	<u>\$ 27,576</u>
Cash balance carried forward to FY 2008	<u>\$ 4,848</u>	<u>\$ -</u>	<u>\$ 27,576</u>

A schedule of the restricted assets at June 30, 2007 follows:

Amounts restricted for school bus purchases	\$ 18,062
Amounts restricted for budget stabilization	27,576
Amounts restricted for textbooks	<u>4,848</u>
Total restricted assets	<u>\$ 50,486</u>

NOTE 13 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Cash Balance

Cash Basis	\$ 1,317,672
Adjustment for Encumbrances	<u>(248,488)</u>
Budget Basis	<u>\$ 1,069,184</u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 14 – INCOME TAXES

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax became effective during 2006, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

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Certified Public Accountants

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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

Carey Exempted Village School District
Wyandot County
357 E. South Street
Carey, OH 43316

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2007 wherein we noted the District prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to provide an opinion on internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under Government Auditing Standards which is described in the accompanying schedule of findings and responses as item 2007-001.

We noted certain matters that we reported to the District's management, in a separate letter dated November 21, 2007.

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

This report is intended solely for the information and use of management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Seublin Sussman Group LLP

November 21, 2007
Toledo, Ohio

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of the Ohio Revised Code § 117.38.

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, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equity, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Response: The School District understands this requirement but feels there are no cost-benefits to converting to GAAP.

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 Wyandot County
 SCHEDULE OF PRIOR AUDIT FINDINGS
 June 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Annual financial statements not prepared in accordance with accounting principles generally accepted in the United States of America.	No	Not Corrected - Repeated as Finding 2007-001.
2006-002	Appropriations exceeding estimated revenue available for expenditure.	Yes	



Mary Taylor, CPA
Auditor of State

CAREY 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
FEBRUARY 12, 2008**