



**Auditor of State  
Betty Montgomery**



**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	21
Notes to the Basic Financial Statements.....	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Schedule of Findings.....	51

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Carey Exempted Village School District  
Wyandot County  
357 East South Street  
Carey, Ohio 43316

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio, as of June 30, 2005, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

January 11, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The 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 fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$90,740 which represents a 3.16% decrease from 2004.
- General revenues accounted for \$6,214,248 in revenue or 82.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,359,946 or 17.95% of total revenues of \$7,574,194.
- The District had \$7,664,934 in expenses related to governmental activities; \$1,359,946 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,214,248 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$6,428,534 in revenues and \$6,451,876 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance decreased \$23,342 from \$1,233,990 to \$1,210,648.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

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



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

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

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. The following table is a comparative analysis of the fiscal 2005 balances compared to 2004:

The table below provides a summary of the District's net assets for 2004 and 2005.

	Governmental Activities <u>2005</u>	Restated Governmental Activities <u>2004</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 4,685,609	\$ 4,365,000
Capital assets	<u>1,749,161</u>	<u>2,010,894</u>
Total assets	<u>6,434,770</u>	<u>6,375,894</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,119,557	2,972,817
Long-term liabilities	<u>533,402</u>	<u>530,526</u>
Total liabilities	<u>3,652,959</u>	<u>3,503,343</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,749,161	1,906,278
Restricted	350,239	26,704
Unrestricted	<u>682,411</u>	<u>939,569</u>
Total net assets	<u>\$ 2,781,811</u>	<u>\$ 2,872,551</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$2,781,811. Of this total, \$682,411 is unrestricted in use.

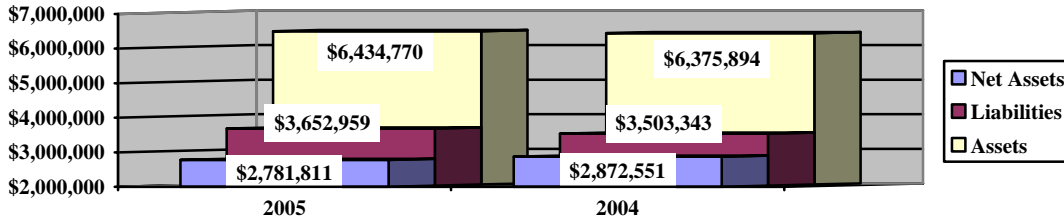
At year-end, capital assets represented 27.18% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$1,749,161. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$350,239, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$682,411 may be used to meet the District's ongoing obligations to the students and creditors.

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

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

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004:

	<b>Change in Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 735,628	\$ 759,294
Operating grants and contributions	614,552	537,933
Capital grants and contributions	9,766	29,963
General revenues:		
Taxes	2,575,866	2,668,210
Grants and entitlements	3,512,869	3,412,807
Investment earnings	43,956	33,138
Other	81,557	129,616
<b>Total revenues</b>	<b>7,574,194</b>	<b>7,570,961</b>

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

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

	<b>Change in Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,064,817	\$ 2,862,048
Special	717,157	649,717
Vocational	422,731	370,460
Other	303,067	271,521
Support services:		
Pupil	331,929	357,072
Instructional staff	406,321	483,284
Board of education	59,050	42,916
Administration	572,098	584,300
Fiscal	259,296	242,388
Operations and maintenance	434,930	392,940
Pupil transportation	261,915	254,495
Central	50,986	40,279
Food service operations	313,289	284,054
Operations of non-instructional services	120,460	181,712
Extracurricular activities	346,763	364,953
Interest and fiscal charges	125	1,135
Total expenses	7,664,934	7,383,274
Change in net assets	(90,740)	187,687
Net assets at beginning of year	2,872,551	2,684,864
Net assets at end of year	\$ 2,781,811	\$ 2,872,551

**Governmental Activities**

Net assets of the District's governmental activities decreased \$90,740. Total governmental expenses of \$7,664,934 were offset by program revenues of \$1,359,946 and general revenues of \$6,214,248. Program revenues supported 17.74% of the total governmental expenses.

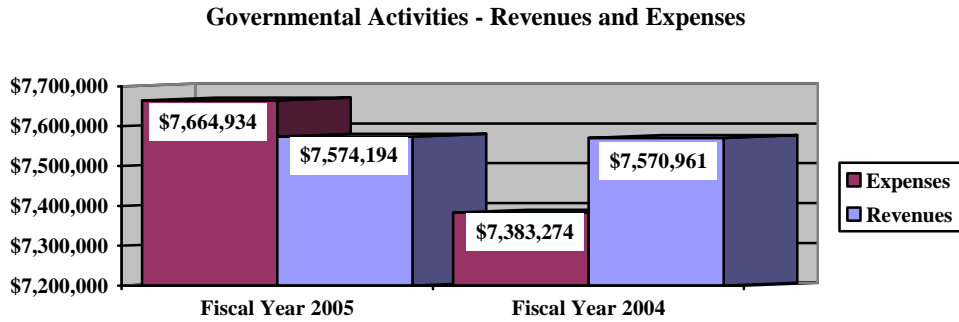
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 88.63% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,507,772 or 58.81% of total governmental expenses for fiscal 2005.

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

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

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2004 have also been presented.

**Governmental Activities**

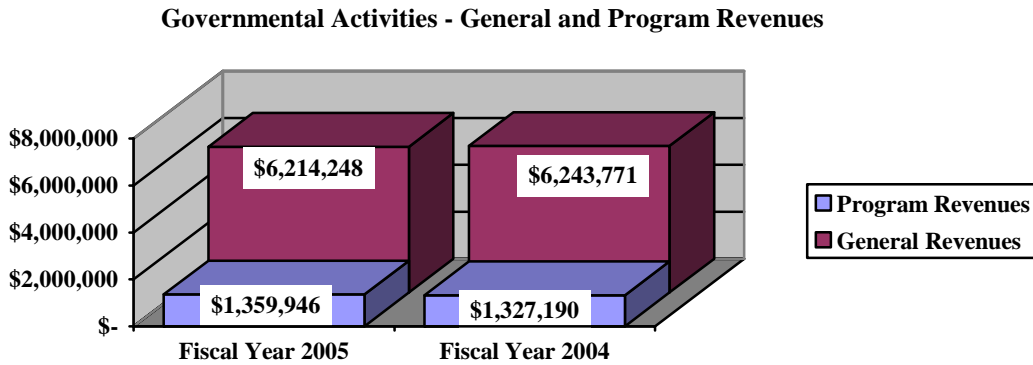
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,064,817	\$ 2,599,212	\$ 2,862,048	\$ 2,394,224
Special	717,157	444,292	649,717	461,039
Vocational	422,731	422,731	370,460	369,437
Other	303,067	280,752	271,521	261,800
Support services:				
Pupil	331,929	300,930	357,072	339,139
Instructional staff	406,321	346,720	483,284	358,969
Board of education	59,050	59,050	42,916	42,916
Administration	572,098	567,162	584,300	579,351
Fiscal	259,296	259,296	242,388	242,388
Operations and maintenance	434,930	432,035	392,940	392,550
Pupil transportation	261,915	261,183	254,495	253,371
Central	50,986	45,986	40,279	35,279
Food service operations	313,289	24,426	284,054	13,009
Operations of non-instructional services	120,460	3,983	181,712	62,971
Extracurricular activities	346,763	257,105	364,953	248,506
Interest and fiscal charges	125	125	1,135	1,135
<b>Total expenses</b>	<b>\$ 7,664,934</b>	<b>\$ 6,304,988</b>	<b>\$ 7,383,274</b>	<b>\$ 6,056,084</b>

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

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

The dependence upon tax and other general revenues for governmental activities is apparent, 83.12% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.07%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,523,208, which is higher than last year's total of \$1,367,968. The June 30, 2004 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase (Decrease)	Percentage Change
General	\$ 1,210,648	\$1,233,990	\$ (23,342)	(1.89) %
Other Governmental	<u>312,560</u>	<u>133,978</u>	<u>178,582</u>	133.29 %
Total	<u>\$ 1,523,208</u>	<u>\$1,367,968</u>	<u>\$ 155,240</u>	11.35 %

**General Fund**

The District's general fund balance decreased \$23,342 (after a restatement to the June 30, 2004, fund balance). The decrease in fund balance can be attributed to several items related to increased expenditures and transfers to other funds. Revenues exceeded expenditures for fiscal year 2005 by \$58,720. Debt service expenditures decreased because the District was in the final year of a capital lease for fitness equipment. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities of the general fund.

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

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

	2005 <u>Amount</u>	2004 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 2,387,331	\$ 2,461,050	\$ (73,719)	(3.00) %
Tuition	286,653	318,213	(31,560)	(9.92) %
Earnings on investments	38,440	41,232	(2,792)	(6.77) %
Intergovernmental	3,490,898	3,412,113	78,785	2.31 %
Other revenues	<u>225,212</u>	<u>236,561</u>	<u>(11,349)</u>	(4.80) %
 Total	 <u>\$ 6,428,534</u>	 <u>\$ 6,469,169</u>	 <u>\$ (40,635)</u>	 (0.63) %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,973,424	\$ 3,769,300	\$ 204,124	5.42 %
Support services	2,143,446	2,228,656	(85,210)	(3.82) %
Extracurricular activities	240,773	245,448	(4,675)	(1.90) %
Facilities acquisition and construction	-	685	(685)	(100.00) %
Debt service	<u>12,171</u>	<u>29,207</u>	<u>(17,036)</u>	(58.33) %
 Total	 <u>\$ 6,369,814</u>	 <u>\$ 6,273,296</u>	 <u>\$ 96,518</u>	 1.54 %

***General Fund Budgeting Highlights***

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$6,426,709 and final budgeted revenues were \$6,436,709. Actual revenues for fiscal 2005 was \$6,504,690. This represents a \$77,981 increase over original budgeted revenues.

General fund original appropriations were \$6,880,069 and final appropriations totaled \$7,047,165. The actual budget basis expenditures for fiscal year 2005 totaled \$6,581,468, which is lower than the final budget appropriations by \$465,697.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$1,749,161 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

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

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

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 400,199	\$ 400,199
Land improvements	-	374
Building and improvements	727,737	970,386
Furniture and equipment	276,130	303,487
Vehicles	<u>345,095</u>	<u>336,448</u>
 Total	 <u>\$ 1,749,161</u>	 <u>\$ 2,010,894</u>

The overall decrease in capital assets of \$261,733 is due to depreciation expense of \$317,682 and disposals of \$1,651 (net of accumulated depreciation) exceeding capital outlays of \$57,600 in the fiscal year. The capital outlay is a result of the purchase of a school bus by the District. See Note 8 to the basic financial statements for additional information.

***Debt Administration***

The District did not have any debt outstanding at fiscal year end. During the year, the District paid the remaining capital lease obligation of \$12,046. The following table summarizes the capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	<u>2005</u>	<u>2004</u>
Capital lease	<u>\$ -</u>	<u>\$ 12,046</u>
Total	<u>\$ -</u>	<u>\$ 12,046</u>

At June 30, 2005, the District's overall legal debt margin was \$8,360,731, and an unvoted debt margin of \$92,897.

See Note 10 to the basic financial statements for additional information.

**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. New operating money has not been sought after since 1991. 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.

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

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

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 beginning in fiscal year 2005. However, it will also result in less funding from the state foundation.

In order to plan for reduced revenue due to the inventory tax reduction phase-in, we are estimating a decline in the percentage of the tangible personal property taxes. We are uncertain as to the current amounts collected for inventory taxes since these tax returns are private. The most recent data is from 1997 at which time it was 25% of personal property tax collected. We are estimating a loss of approximately \$161,000 due to inventory phase out. Two major manufacturing companies, Porcelain Products and Toledo Molding and Die, have moved operations out of Carey in the past two years. We expect to lose approximately \$66,000 per year in tangible personal property taxes due to this loss of business. Figures on tangible taxes are scheduled to be made available to school districts by the Department of Taxation in late September, 2005.

Due to the recently passed budget legislation, 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 during the phase out period, and will phase out that funding by 2018. Reimbursement for inventory will be made based on the previously enacted HB95 which had a scheduled phase out of the assessed rated 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.

The enrollment pattern has resulted in a slight decline in recent years. Open enrollment figures for FY2005 show a positive number of about 5 students for those entering the district over those leaving the district. Open enrollment numbers are uncertain from year to year and, are 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 citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Karen Phillips, Treasurer, Carey Exempted Village School District, 357 E. South Street, Carey, Ohio 43316.



**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	2,020,624
Cash with fiscal agent . . . . .		1,025
Receivables:		
Taxes . . . . .		2,470,142
Accounts . . . . .		47,774
Intergovernmental . . . . .		10,136
Accrued interest . . . . .		9,808
Prepayments . . . . .		39,567
Materials and supplies inventory . . . . .		86,533
Capital assets:		
Land . . . . .		400,199
Depreciable capital assets, net . . . . .		1,348,962
Capital assets, net. . . . .		1,749,161
 Total assets. . . . .		 6,434,770
 <b>Liabilities:</b>		
Accounts payable. . . . .		103,736
Accrued wages and benefits . . . . .		559,278
Pension obligation payable. . . . .		150,516
Intergovernmental payable . . . . .		23,961
Deferred revenue . . . . .		2,282,066
Long-term liabilities:		
Due within one year. . . . .		44,805
Due within more than one year . . . . .		488,597
 Total liabilities . . . . .		 3,652,959
 <b>Net Assets:</b>		
Invested in capital assets		1,749,161
Restricted for:		
Capital projects . . . . .		111,629
State funded programs. . . . .		90
Federally funded programs. . . . .		1,025
Student activities. . . . .		25,080
Public school support. . . . .		2,764
Other purposes . . . . .		209,651
Unrestricted. . . . .		682,411
 Total net assets . . . . .	\$	 2,781,811

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
					<u>Governmental</u> <u>Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,064,817	\$ 419,618	\$ 45,987	\$ -	\$ (2,599,212)
Special . . . . .	717,157	-	272,865	-	(444,292)
Vocational . . . . .	422,731	-	-	-	(422,731)
Other . . . . .	303,067	22,315	-	-	(280,752)
Support services:					
Pupil . . . . .	331,929	-	30,999	-	(300,930)
Instructional staff . . . . .	406,321	-	49,835	9,766	(346,720)
Board of education . . . . .	59,050	-	-	-	(59,050)
Administration . . . . .	572,098	-	4,936	-	(567,162)
Fiscal . . . . .	259,296	-	-	-	(259,296)
Operations and maintenance . . . . .	434,930	2,895	-	-	(432,035)
Pupil transportation . . . . .	261,915	732	-	-	(261,183)
Central . . . . .	50,986	-	5,000	-	(45,986)
Operation of non-instructional services:					
Food service operations . . . . .	313,289	200,410	88,453	-	(24,426)
Other non-instructional services . . . . .	120,460	-	116,477	-	(3,983)
Extracurricular activities . . . . .	346,763	89,658	-	-	(257,105)
Interest and fiscal charges . . . . .	125	-	-	-	(125)
<b>Total governmental activities . . . . .</b>	<b>\$ 7,664,934</b>	<b>\$ 735,628</b>	<b>\$ 614,552</b>	<b>\$ 9,766</b>	<b>(6,304,988)</b>

**General Revenues:**

Taxes levied for:

General purposes . . . . .	2,390,223
Capital projects . . . . .	185,643
Grants and entitlements not restricted to specific programs . . . . .	3,512,869
Investment earnings . . . . .	43,956
Miscellaneous . . . . .	81,557
<b>Total general revenues . . . . .</b>	<b>6,214,248</b>

Change in net assets . . . . . (90,740)

**Net assets at beginning of year . . . . .** 2,872,551

**Net assets at end of year . . . . .** \$ 2,781,811

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,529,915	\$ 431,154	\$ 1,961,069
Cash with fiscal agent . . . . .	-	1,025	1,025
Receivables:			
Taxes . . . . .	2,287,505	182,637	2,470,142
Accounts . . . . .	46,980	794	47,774
Intergovernmental . . . . .	435	9,701	10,136
Accrued interest . . . . .	9,808	-	9,808
Prepayments . . . . .	39,435	132	39,567
Materials and supplies inventory . . . . .	80,196	6,337	86,533
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	59,555	-	59,555
Total assets . . . . .	\$ 4,053,829	\$ 631,780	\$ 4,685,609
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 54,843	\$ 48,893	\$ 103,736
Accrued wages and benefits . . . . .	501,016	58,262	559,278
Compensated absences payable . . . . .	-	26,237	26,237
Pension obligation payable. . . . .	133,067	17,449	150,516
Intergovernmental payable. . . . .	22,851	1,110	23,961
Deferred revenue. . . . .	2,131,404	167,269	2,298,673
Total liabilities . . . . .	2,843,181	319,220	3,162,401
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	111,203	37,983	149,186
Reserved for materials and supplies inventory. . . . .	80,196	6,337	86,533
Reserved for prepayments . . . . .	39,435	132	39,567
Reserved for property tax unavailable for appropriation . . . . .	164,582	15,368	179,950
Reserved for budget stabilization . . . . .	27,576	-	27,576
Reserved for bus purchases. . . . .	13,310	-	13,310
Reserved for textbooks. . . . .	18,669	-	18,669
Unreserved:			
Designation for budget stabilization . . . . .	75,387	-	75,387
Designation for termination benefits . . . . .	-	150,096	150,096
Undesignated, reported in:			
General fund . . . . .	680,290	-	680,290
Special revenue funds. . . . .	-	20,180	20,180
Capital projects funds. . . . .	-	82,464	82,464
Total fund balances . . . . .	1,210,648	312,560	1,523,208
Total liabilities and fund balances . . . . .	\$ 4,053,829	\$ 631,780	\$ 4,685,609

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

<b>Total governmental fund balances</b>		\$ 1,523,208
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,749,161
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 8,126	
Accrued interest	<u>8,481</u>	
Total		16,607
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences	<u>507,165</u>	
Total		<u>(507,165)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 2,781,811</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,387,331	\$ 185,428	\$ 2,572,759
Tuition . . . . .	286,653	-	286,653
Charges for services . . . . .	-	200,410	200,410
Earnings on investments . . . . .	38,440	583	39,023
Extracurricular . . . . .	22,315	89,658	111,973
Transportation fees . . . . .	732	-	732
Classroom materials and fees . . . . .	29,214	-	29,214
Other local revenues . . . . .	172,951	252	173,203
Intergovernmental - Intermediate . . . . .	-	15,000	15,000
Intergovernmental - State . . . . .	3,490,898	164,097	3,654,995
Intergovernmental - Federal . . . . .	-	482,192	482,192
Total revenue . . . . .	<u>6,428,534</u>	<u>1,137,620</u>	<u>7,566,154</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,832,626	90,593	2,923,219
Special . . . . .	431,898	270,605	702,503
Vocational . . . . .	405,833	1,380	407,213
Other . . . . .	303,067	-	303,067
Support services:			
Pupil . . . . .	328,837	27,763	356,600
Instructional staff . . . . .	334,992	70,440	405,432
Board of education . . . . .	59,050	-	59,050
Administration . . . . .	533,313	4,508	537,821
Fiscal . . . . .	251,590	5,939	257,529
Operations and maintenance . . . . .	371,440	12,414	383,854
Pupil transportation . . . . .	221,124	-	221,124
Central . . . . .	43,100	7,886	50,986
Operation of non-instructional services:			
Food service operations . . . . .	-	301,526	301,526
Other non-instructional services . . . . .	-	118,009	118,009
Extracurricular activities . . . . .	240,773	97,380	338,153
Facilities acquisition and construction . . . . .	-	32,657	32,657
Debt service:			
Principal retirement . . . . .	12,046	-	12,046
Interest and fiscal charges . . . . .	125	-	125
Total expenditures . . . . .	<u>6,369,814</u>	<u>1,041,100</u>	<u>7,410,914</u>
Excess of revenues under expenditures . . . . .	<u>58,720</u>	<u>96,520</u>	<u>155,240</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	82,062	82,062
Transfers (out) . . . . .	<u>(82,062)</u>	<u>-</u>	<u>(82,062)</u>
Total other financing sources (uses) . . . . .	<u>(82,062)</u>	<u>82,062</u>	<u>-</u>
Net change in fund balances . . . . .	(23,342)	178,582	155,240
<b>Fund balances at beginning</b>			
<b>of year (restated, see note 3)</b>	<u>1,233,990</u>	<u>133,978</u>	<u>1,367,968</u>
<b>Fund balances at end of year.</b>	<u><u>\$ 1,210,648</u></u>	<u><u>\$ 312,560</u></u>	<u><u>\$ 1,523,208</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

**Net change in fund balances - total governmental funds** \$ 155,240

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

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

Capital asset additions	57,600	
Current year depreciation	<u>(317,682)</u>	
Total		(260,082)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (1,651)

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

Property taxes	3,107	
Accrued interest	<u>4,933</u>	
Total		8,040

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 12,046

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (4,333)

**Change in net assets of governmental activities** \$ (90,740)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,468,670	\$ 2,468,670	\$ 2,494,742	\$ 26,072
Tuition. . . . .	283,657	283,657	286,653	2,996
Transportation fees . . . . .	724	724	732	8
Earnings on investments. . . . .	36,725	36,725	37,113	388
Extracurricular. . . . .	12,082	22,082	22,315	233
Classroom materials and fees . . . . .	41,047	41,047	41,481	434
Other local revenue . . . . .	129,389	129,389	130,756	1,367
Intergovernmental - State . . . . .	3,454,415	3,454,415	3,490,898	36,483
Total revenue . . . . .	<u>6,426,709</u>	<u>6,436,709</u>	<u>6,504,690</u>	<u>67,981</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,024,829	2,948,742	2,857,471	91,271
Special. . . . .	463,052	492,895	437,432	55,463
Vocational. . . . .	424,512	427,017	401,024	25,993
Other. . . . .	329,679	345,782	311,438	34,344
Support services:				
Pupil. . . . .	354,025	389,052	334,437	54,615
Instructional staff . . . . .	364,689	411,880	344,511	67,369
Board of education . . . . .	39,775	51,076	37,574	13,502
Administration. . . . .	588,012	575,646	555,479	20,167
Fiscal . . . . .	265,679	274,094	250,979	23,115
Operations and maintenance. . . . .	458,722	468,500	433,342	35,158
Pupil transportation . . . . .	267,746	280,269	252,932	27,337
Central. . . . .	43,796	55,741	41,373	14,368
Extracurricular activities. . . . .	255,553	266,471	241,414	25,057
Total expenditures . . . . .	<u>6,880,069</u>	<u>6,987,165</u>	<u>6,499,406</u>	<u>487,759</u>
Excess of revenues over (under) expenditures. . . . .	<u>(453,360)</u>	<u>(550,456)</u>	<u>5,284</u>	<u>555,740</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	-	-	(82,062)	(82,062)
Advances (out) . . . . .	-	(60,000)	-	60,000
Total other financing sources (uses) . . . . .	<u>-</u>	<u>(60,000)</u>	<u>(82,062)</u>	<u>(22,062)</u>
Net change in fund balance . . . . .	(453,360)	(610,456)	(76,778)	533,678
Fund balance at beginning of year. . . . .	1,363,566	1,363,566	1,363,566	-
Prior year encumbrances appropriated . . . . .	137,503	137,503	137,503	-
Fund balance at end of year . . . . .	<u>\$ 1,047,709</u>	<u>\$ 890,613</u>	<u>\$ 1,424,291</u>	<u>\$ 533,678</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 23,938	\$ 60,313
Receivables:		
Accounts . . . . .	-	521
	<u>23,938</u>	<u>60,834</u>
Total assets. . . . .		<u>\$ 60,834</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,365
Due to students . . . . .	-	59,469
	<u>-</u>	<u>60,834</u>
Total liabilities . . . . .		<u>\$ 60,834</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>23,938</u>	
Total net assets . . . . .	<u>\$ 23,938</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 127
Gifts and contributions. . . . .	21,985
Total additions. . . . .	22,112
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,999
Change in net assets . . . . .	19,113
<b>Net assets at beginning of year. . . . .</b>	<b>4,825</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 23,938</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

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

**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 1881. The District serves an area of approximately sixty-four square miles. It is located in Wyandot and Seneca Counties. The District is the 523<sup>rd</sup> largest in the State of Ohio (among 688 school districts) in terms of enrollment. It is staffed by 42 classified employees and 73 certified employees who provide services to 885 students and other community members. The District currently operates one building which serves grades K through 12.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's 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 organizations 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 this 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:

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

The District's reporting entity 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.

*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, 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.

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.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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 Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, 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.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP. Each year, the participants pay an enrollment fee to the GRP 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.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following 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 other than those financed by trust funds; (b) food service operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and the presentation of expense versus expenditures. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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



**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

**E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control 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.

*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 2005.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

*Appropriations:*

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution 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 2005.

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.

**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 with Fiscal Agent".

During 2005, 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 or specifically authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$38,440, which includes \$8,125 assigned from other funds.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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 Treasurer's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis. Inventories in governmental funds and governmental activities are expensed/expended when consumed (i.e. consumption method).

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 years
Buildings and improvements	10 - 40 years
Furniture and equipment	8 - 20 years
Vehicles	10 - 20 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District did not have any interfund loans during fiscal year 2005.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**L. Fund Balance Reserves and Designations**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, property tax unavailable for appropriation, budget stabilization, bus purchases and textbooks. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriations under state statute. The reserve for budget stabilization represents monies required to be set aside by state statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents resources set aside by the Board of Education in excess of those required by state statute. The designation for termination benefits represents monies set aside by the Board of Education for future payment of those benefits.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. 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. Restricted assets include the amount reserved for budget stabilization, school bus purchases, and textbooks. See Note 18 for details.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**Q. Interfund Activity**

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

**R. 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 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have any effect on financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balance, June 30, 2004	\$ 1,273,268	\$ 142,669	\$ 1,415,937
GASB Technical Bulletin No. 2004-2	<u>(39,278)</u>	<u>(8,691)</u>	<u>(47,969)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 1,233,990</u>	<u>\$ 133,978</u>	<u>\$ 1,367,968</u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Title I	\$ 13
Class Size Reduction	72
Summer School	86

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities

**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;

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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;
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 \$1,025 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$2,104,825. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$1,812,896 of the District's bank balance of \$2,132,984 was exposed to custodial risk as discussed below, while \$320,088 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 2,104,825
Cash on hand	50
Cash with fiscal agent	1,025
Total	\$ 2,105,900
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,021,649
Private-purpose trust fund	23,938
Agency fund	60,313
Total	\$ 2,105,900

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 82,062

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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.

The District receives property taxes from Wyandot and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$164,582 in the general fund and \$15,368 in the permanent improvement fund (a nonmajor governmental fund). These amounts have been recorded as revenue.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

	<u>2004 Second Half Collections</u>		<u>2005 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 66,035,050	76.91	\$ 72,501,030	78.05
Public utility personal	2,255,660	2.63	121,790	0.13
Tangible personal property	<u>17,564,240</u>	<u>20.46</u>	<u>20,274,190</u>	<u>21.82</u>
Total	<u>\$ 85,854,950</u>	<u>100.00</u>	<u>\$ 92,897,010</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$52.90		 \$52.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 2,470,142
Accounts	47,774
Intergovernmental	10,136
Accrued interest	<u>9,808</u>
	<u>\$ 2,537,860</u>

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 400,199	\$ -	\$ -	\$ 400,199
Total capital assets, not being depreciated	<u>400,199</u>	<u>-</u>	<u>-</u>	<u>400,199</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	40,116	-	-	40,116
Buildings and improvements	4,459,965	-	-	4,459,965
Furniture and equipment	545,797	-	(3,608)	542,189
Vehicles	596,650	57,600	-	654,250
Total capital assets, being depreciated	<u>5,642,528</u>	<u>57,600</u>	<u>(3,608)</u>	<u>5,696,520</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(39,742)	(374)	-	(40,116)
Buildings and improvements	(3,489,579)	(242,649)	-	(3,732,228)
Furniture and equipment	(242,310)	(25,706)	1,957	(266,059)
Vehicles	(260,202)	(48,953)	-	(309,155)
Total accumulated depreciation	<u>(4,031,833)</u>	<u>(317,682)</u>	<u>1,957</u>	<u>(4,347,558)</u>
Governmental activities capital assets, net	<u>\$ 2,010,894</u>	<u>\$ (260,082)</u>	<u>\$ (1,651)</u>	<u>\$ 1,749,161</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 145,944
Special	11,527
Vocational	14,559

Support Services:

Pupil	3,264
Administration	34,776
Fiscal	224
Operations and maintenance	48,277
Pupil transportation	39,704
Operation of non-instructional	1,822
Extracurricular activities	8,610
Food service operations	<u>8,975</u>

Total depreciation expense \$ 317,682

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into a capitalized lease for fitness equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$82,256. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$12,046 paid by the general fund. Following that payment, the capital lease obligation was retired.

**NOTE 10 - LONG-TERM OBLIGATIONS**

During the fiscal year 2005, the following changes occurred in governmental activities long term obligations:

	Balance Outstanding <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/05</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Capital lease obligation	\$ 12,046	\$ -	\$ (12,046)	\$ -	\$ -
Compensated absences	<u>518,480</u>	<u>47,289</u>	<u>(32,367)</u>	<u>533,402</u>	<u>44,805</u>
Total long-term obligations, governmental activities	<u>\$ 530,526</u>	<u>\$ 47,289</u>	<u>\$ (44,413)</u>	<u>\$ 533,402</u>	<u>\$ 44,805</u>

Compensated absences will be paid from the fund from which the employee is paid. The capital lease obligation was paid from the general fund (see Note 9).

**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 effects of these debt limitations at June 30, 2005 are a voted debt margin of \$8,360,731 and an unvoted debt margin of \$92,897.

**NOTE 11 - NOTE PAYABLE**

In fiscal year 2004, the District issued a note for the purpose of purchasing real estate from the Village of Carey. The note was reported as a liability of the Permanent Improvement capital projects fund (a nonmajor governmental fund), the fund which received the proceeds. The note was issued on February 18, 2004 and matured on July 1, 2005. The following is a summary of the District's note activity for fiscal year 2005:

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 - NOTE PAYABLE (Continued)**

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/05</u>
Note payable - 0%	\$ 104,616	\$ -	\$ (104,616)	\$ -
Total	<u>\$ 104,616</u>	<u>\$ -</u>	<u>\$ (104,616)</u>	<u>\$ -</u>

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for all school personnel. Upon retirement, payment is made for 27.5 percent of the accumulated sick leave. In addition, up to three unused personal leave days earned during the last two years of employment will be reimbursed.

**B. Health Care Benefits**

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

**NOTE 13 - 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 2005, 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. The District contracted for the following insurance coverage:

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 13 - RISK MANAGEMENT (Continued)**

Coverage provided by Indiana Insurance Company is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$16,148,807
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 Boards 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 Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

**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 14 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The 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 (614) 222-5853.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$82,333, \$65,939 and \$57,332, respectively; 48.89% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$42,084 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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% 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. 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.



**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$439,795, \$416,849, and \$407,917, respectively; 83.28% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$73,532 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$475 made by the District and \$1,533 made by plan members.

**C. Social Security System**

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

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$33,830 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$41,342 during the 2005 fiscal year.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

<b>Net Change in Fund Balance</b>	
	<u>General Fund</u>
Budget basis	\$ (76,778)
Net adjustment for revenue accruals	(76,156)
Net adjustment for expenditure accruals	(35,587)
Adjustment for encumbrances	<u>165,179</u>
GAAP basis	<u>\$ (23,342)</u>

**NOTE 17 - 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 18 - 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 2005, 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. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 18 - STATUTORY RESERVES (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2004	\$ (10,065)	\$ -	\$ 27,576
Current year set-aside requirement	128,842	128,842	-
Current year offsets	-	(196,421)	-
Qualifying disbursements	<u>(100,108)</u>	<u>(84,062)</u>	<u>-</u>
 Total	 <u>\$ 18,669</u>	 <u>\$ (151,641)</u>	 <u>\$ 27,576</u>
 Cash balance carried forward to FY 2006	 <u>\$ 18,669</u>	 <u>\$ -</u>	 <u>\$ 27,576</u>

A schedule of the restricted assets at June 30, 2005 follows:

Amounts restricted for school bus purchases	\$ 13,310
Amounts restricted for budget stabilization	27,576
Amounts restricted for textbooks	<u>18,669</u>
 Total restricted assets	 <u>\$ 59,555</u>



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Carey Exempted Village School District  
Wyandot County  
357 East South Street  
Carey, Ohio 43316

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Carey Exempted Village School District  
Wyandot County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the finance committee, management and the Board of Education. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 11, 2006

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2005**

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

<b>Finding Number</b>	2005-001
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**Finding for Recovery – Repaid Under Audit  
Treasurer’s Compensation**

Ohio Rev. Code Section 3313.24 states the board of education of each local, exempted village, or city school district shall fix the compensation of its treasurer.

In addition, Ohio Rev. Code Sections 3313.29 and 3313.31 respectively state, in part, that the treasurer of each board of education shall keep an account of all school funds of the district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education.

For the period from July 1, 2004 through June 30, 2005, the District’s Treasurer, Karen Phillips, received compensation in excess of the Board-approved annual salary totaling \$2,000. This excess compensation was paid from the following funds:

<u>Fund Name</u>	<u>Fund Number</u>	<u>Amount</u>
Title I	572	\$ 1,500
Special Education	516	500
Total		<u>\$ 2,000</u>

The Treasurer was bonded by Ohio Farmers Insurance Co. for the period, for an amount up to \$20,000.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended would have been issued jointly and severally against Karen Phillips and her bonding company, Ohio Farmers Insurance Co., in the amount of \$2,000, and in favor of the funds and in the amounts as listed above.

On January 9, 2006, the Board of Education retroactively approved the additional \$2,000 of compensation for the Treasurer.







**Auditor of State  
Betty Montgomery**

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**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 9, 2006**