

UPPER SANDUSKY EXEMPTED VILLAGE
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2002



**Auditor of State
Betty Montgomery**

Board of Education
Upper Sandusky Exempted Village School District
390 West Walker Street
Upper Sandusky, OH 43351

We have reviewed the Independent Auditor's Report of the Upper Sandusky Exempted Village School District, Wyandot County, prepared by Steen & Kennedy LLC, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 29, 2003

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

JUNE 30, 2002

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Steen & Kennedy

Certified Public Accountants

Business & Government Consultants

INDEPENDENT AUDITORS' REPORT

Board of Education
Upper Sandusky Exempted Village School District
390 West Walker Street
Upper Sandusky, Ohio 43351

We have audited the accompanying general purpose financial statements of the Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Upper Sandusky Exempted Village School District, Wyandot County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust 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 March 28, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Steen & Kennedy LLC
March 28, 2003

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

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

| | Governmental Fund Types | | |
|---|--------------------------------|----------------------------|-----------------------------|
| | General Fund | Special Revenue | Capital Projects |
| Assets and Other Debits | | | |
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,606,648 | \$ 318,412 | \$ 2,029 |
| Cash with Fiscal and Escrow Agents | 387 | 0 | 0 |
| Investments | 0 | 0 | 0 |
| Receivables: | | | |
| Property Taxes | 4,309,670 | 0 | 0 |
| Income Taxes | 321,525 | 0 | 0 |
| Accounts | 126 | 221 | 0 |
| Intergovernmental | 24,600 | 97,200 | 0 |
| Accrued Interest | 2,035 | 0 | 0 |
| Prepayments | 97,831 | 5,099 | 0 |
| Materials and Supplies Inventory | 57,490 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 |
| Interfund Receivable | 10,878 | 0 | 0 |
| Restricted Cash and Cash Equivalents | 151,993 | 0 | 0 |
| Property, plant and equipment (net of accumulated depreciation were applicable) | 0 | 0 | 0 |
| Other Debits: | | | |
| Amount to be Provided for Retirement of General Long-Term Obligations | 0 | 0 | 0 |
| Total Assets and Other Debits | \$ 7,583,183 | \$ 420,932 | \$ 2,029 |
| Liabilities, Fund Equity and Other Credits | | | |
| Liabilities: | | | |
| Accounts Payable | 140,171 | 12,756 | 0 |
| Accrued Wages and Benefits Payable | 865,122 | 54,397 | 0 |
| Intergovernmental Payable | 164,098 | 7,227 | 0 |
| Interfund Payable | 0 | 10,878 | 0 |
| Due to Students | 0 | 0 | 0 |
| Deferred Revenue | 4,019,881 | 90,516 | 0 |
| Compensated Absences Payable | 18,170 | 0 | 0 |
| Long-term loans payable | 0 | 0 | 0 |
| Obligation under capital lease | 0 | 0 | 0 |
| Total Liabilities | 5,207,442 | 175,774 | 0 |
| Fund Equity and Other Credits | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 |
| Retained Earnings: | | | |
| Unreserved | 0 | 0 | 0 |
| Fund Balance: | | | |
| Reserved for Encumbrances | 389,907 | 30,776 | 0 |
| Reserved for Supplies Inventory | 57,490 | 0 | 0 |
| Reserved for Prepayments | 97,831 | 5,099 | 0 |
| Reserved for Budget Stabilization | 151,993 | 0 | 0 |
| Reserved for Endowments | 0 | 0 | 0 |
| Reserved for Taxes Unavailable for Appropriation | 289,789 | 0 | 0 |
| Unreserved/Undesignated | 1,388,731 | 209,283 | 2,029 |
| Total Fund Equity and Other Credits | 2,375,741 | 245,158 | 2,029 |
| Total Liabilities, Fund Equity and Other Credits | \$ 7,583,183 | \$ 420,932 | \$ 2,029 |

See accompanying Notes to the General Purpose Financial Statements.

| Proprietary Fund Types | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|---------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$ 99,600 | \$ 51,475 | \$ 0 | \$ 0 | \$ 3,078,164 |
| 0 | 0 | 0 | 0 | 387 |
| 0 | 77,966 | 0 | 0 | 77,966 |
| 0 | 0 | 0 | 0 | 4,309,670 |
| 0 | 0 | 0 | 0 | 321,525 |
| 139 | 470 | 0 | 0 | 956 |
| 13,851 | 0 | 0 | 0 | 135,651 |
| 0 | 0 | 0 | 0 | 2,035 |
| 5,790 | 0 | 0 | 0 | 108,720 |
| 195 | 0 | 0 | 0 | 57,685 |
| 16,898 | 0 | 0 | 0 | 16,898 |
| 0 | 0 | 0 | 0 | 10,878 |
| 0 | 0 | 0 | 0 | 151,993 |
| 42,095 | 0 | 13,042,537 | 0 | 13,084,632 |
| 0 | 0 | 0 | 1,040,435 | 1,040,435 |
| <u>\$ 178,568</u> | <u>\$ 129,911</u> | <u>\$ 13,042,537</u> | <u>\$ 1,040,435</u> | <u>\$ 22,397,595</u> |
| 3,156 | 1,498 | 0 | 0 | 157,581 |
| 30,208 | 0 | 0 | 0 | 949,727 |
| 12,878 | 0 | 0 | 87,847 | 272,050 |
| 0 | 0 | 0 | 0 | 10,878 |
| 0 | 47,800 | 0 | 0 | 47,800 |
| 15,940 | 0 | 0 | 0 | 4,126,337 |
| 29,546 | 0 | 0 | 769,936 | 817,652 |
| 0 | 0 | 0 | 52,620 | 52,620 |
| 0 | 0 | 0 | 130,032 | 130,032 |
| <u>91,728</u> | <u>49,298</u> | <u>0</u> | <u>1,040,435</u> | <u>6,564,677</u> |
| 0 | 0 | 13,042,537 | 0 | 13,042,537 |
| 12,496 | 0 | 0 | 0 | 12,496 |
| 74,344 | 0 | 0 | 0 | 74,344 |
| 0 | 0 | 0 | 0 | 420,683 |
| 0 | 0 | 0 | 0 | 57,490 |
| 0 | 0 | 0 | 0 | 102,930 |
| 0 | 0 | 0 | 0 | 151,993 |
| 0 | 80,613 | 0 | 0 | 80,613 |
| 0 | 0 | 0 | 0 | 289,789 |
| 0 | 0 | 0 | 0 | 1,600,043 |
| <u>86,840</u> | <u>80,613</u> | <u>13,042,537</u> | <u>0</u> | <u>15,832,918</u> |
| <u>\$ 178,568</u> | <u>\$ 129,911</u> | <u>\$ 13,042,537</u> | <u>\$ 1,040,435</u> | <u>\$ 22,397,595</u> |

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

| | <u>Governmental Fund Types</u> | | | Totals |
|--|--------------------------------|----------------------------|-----------------------------|------------------------------|
| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>(Memorandum Only)</u> |
| Revenues: | | | | |
| Property Taxes | \$ 4,726,572 | \$ 0 | \$ 0 | \$ 4,726,572 |
| Income Taxes | 889,118 | 0 | 0 | 889,118 |
| Intergovernmental | 5,544,036 | 630,385 | 23,903 | 6,198,324 |
| Interest | 137,413 | 0 | 0 | 137,413 |
| Tuition and Fees | 2,615 | 0 | 0 | 2,615 |
| Extracurricular Activities | 0 | 158,361 | 0 | 158,361 |
| Other Revenues | 103,639 | 42,044 | 0 | 145,683 |
| Total Revenues | <u>11,403,393</u> | <u>830,790</u> | <u>23,903</u> | <u>12,258,086</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,103,690 | 0 | 23,998 | 5,127,688 |
| Special | 645,574 | 114,457 | 0 | 760,031 |
| Vocational | 55,791 | 255,436 | 0 | 311,227 |
| Adult/Continuing | 257,518 | 0 | 0 | 257,518 |
| Other | 0 | 38,362 | 0 | 38,362 |
| Support services: | | | | |
| Pupils | 582,365 | 70,993 | 24,628 | 677,986 |
| Instructional staff | 395,651 | 57,024 | 0 | 452,675 |
| Board of Education | 57,027 | 0 | 0 | 57,027 |
| Administration | 897,027 | 31,452 | 0 | 928,479 |
| Fiscal | 677,238 | 0 | 0 | 677,238 |
| Operation and Maintenance of Plant | 1,872,701 | 0 | 0 | 1,872,701 |
| Pupil Transportation | 687,137 | 0 | 0 | 687,137 |
| Central | 22,973 | 0 | 0 | 22,973 |
| Non-Instructional Services | 150 | 127,469 | 0 | 127,619 |
| Extracurricular Activities | 315,163 | 147,492 | 0 | 462,655 |
| Capital Outlay | 114,302 | 0 | 0 | 114,302 |
| Debt Service: | | | | |
| Principal Retirement | 105,639 | 0 | 0 | 105,639 |
| Interest and Fiscal Charges | 10,769 | 0 | 0 | 10,769 |
| Total Expenditures | <u>11,800,715</u> | <u>842,685</u> | <u>48,626</u> | <u>12,692,026</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (397,322) | (11,895) | (24,723) | (433,940) |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Fixed Assets | 7,390 | 0 | 0 | 7,390 |
| Proceeds from Inception of Capital Lease | 114,302 | 0 | 0 | 114,302 |
| Transfers In | 0 | 23,500 | 0 | 23,500 |
| Transfers Out | (23,500) | 0 | 0 | (23,500) |
| Total Other Financing Sources (Uses) | <u>98,192</u> | <u>23,500</u> | <u>0</u> | <u>121,692</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures | (299,130) | 11,605 | (24,723) | (312,248) |
| Fund Balances at Beginning of Year Restated (See Note 3) | 2,658,808 | 233,553 | 26,752 | 2,919,113 |
| Increase in Reserve for Inventory | 16,063 | 0 | 0 | 16,063 |
| Fund Balances at End of Year | <u>\$ 2,375,741</u> | <u>\$ 245,158</u> | <u>\$ 2,029</u> | <u>\$ 2,622,928</u> |

See accompanying Notes to the General Purpose Financial Statements.

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

| | General Fund | | | Special Revenue Funds | | |
|--|--------------------|---------------------|--|-----------------------|-------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Property Taxes | \$ 4,162,646 | \$ 4,698,755 | \$ 536,109 | \$ 0 | \$ 0 | \$ 0 |
| Income Taxes | 800,000 | 897,378 | 97,378 | 0 | 0 | 0 |
| Intergovernmental | 4,934,668 | 5,533,304 | 598,636 | 710,024 | 623,701 | (86,323) |
| Interest | 167,000 | 135,378 | (31,622) | 0 | 0 | 0 |
| Tuition and Fees | 17,000 | 2,615 | (14,385) | 0 | 0 | 0 |
| Extracurricular | 0 | 0 | 0 | 136,320 | 158,140 | 21,820 |
| Other | 40,400 | 82,200 | 41,800 | 25,269 | 42,044 | 16,775 |
| Total Revenues | <u>10,121,714</u> | <u>11,349,630</u> | <u>1,227,916</u> | <u>871,613</u> | <u>823,885</u> | <u>(47,728)</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 5,182,188 | 5,182,188 | 0 | 164,130 | 115,257 | (48,873) |
| Special | 642,923 | 642,923 | 0 | 273,703 | 241,800 | (31,903) |
| Vocational | 44,987 | 44,987 | 0 | 0 | 0 | 0 |
| Adult/Continuing | 0 | 0 | 0 | 27,418 | 32,304 | 4,886 |
| Other | 258,550 | 258,550 | 0 | 7,473 | 6,706 | (767) |
| Support Services: | | | | | | |
| Pupils | 613,393 | 613,393 | 0 | 132,498 | 72,871 | (59,627) |
| Instructional Staff | 387,704 | 387,704 | 0 | 88,377 | 65,911 | (22,466) |
| Board of Education | 69,042 | 69,042 | 0 | 0 | 0 | 0 |
| Administration | 1,033,575 | 1,033,575 | 0 | 52,274 | 35,285 | (16,989) |
| Fiscal | 671,198 | 671,198 | 0 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 2,193,084 | 2,193,084 | 0 | 0 | 0 | 0 |
| Pupil Transportation | 710,352 | 710,352 | 0 | 0 | 0 | 0 |
| Central | 24,533 | 24,533 | 0 | 0 | 0 | 0 |
| Non-Instructional Services | 150 | 150 | 0 | 206,552 | 130,244 | (76,308) |
| Extracurricular Activities | 309,234 | 309,234 | 0 | 168,100 | 168,100 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service: | | | | | | |
| Principal Retirement | 61,637 | 61,637 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 2,458 | 2,458 | 0 | 0 | 0 | 0 |
| Total Expenditures | <u>12,205,008</u> | <u>12,205,008</u> | <u>0</u> | <u>1,120,525</u> | <u>868,478</u> | <u>(252,047)</u> |
| Excess of Revenues Over/Under Expenditures | <u>(2,083,294)</u> | <u>(855,378)</u> | <u>1,227,916</u> | <u>(248,912)</u> | <u>(44,593)</u> | <u>204,319</u> |
| Other Financing Sources (Uses): | | | | | | |
| Other Financing Sources | 5,000 | 10,472 | 5,472 | 0 | 0 | 0 |
| Other Financing Uses | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 | 10,878 | 10,878 | 0 |
| Advances Out | (10,878) | (10,878) | 0 | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>(5,878)</u> | <u>(406)</u> | <u>5,472</u> | <u>10,878</u> | <u>10,878</u> | <u>0</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (2,089,172) | (855,784) | 1,233,388 | (238,034) | (33,715) | 204,319 |
| Fund Balances at Beginning of Year | 2,741,613 | 2,741,613 | 0 | 212,578 | 212,578 | 0 |
| Prior Year Encumbrances Appropriated | 345,155 | 345,155 | 0 | 95,785 | 95,785 | 0 |
| Fund Balances at End of Year | <u>\$ 997,596</u> | <u>\$ 2,230,984</u> | <u>\$ 1,233,388</u> | <u>\$ 70,329</u> | <u>\$ 274,648</u> | <u>\$ 204,319</u> |

See accompanying Notes to the General Purpose Financial Statements.

| Capital Project Funds | | | Totals (Memorandum Only) | | |
|-----------------------|-----------------|----------------------------------|--------------------------|---------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 0 | \$ 0 | \$ 0 | \$ 4,162,646 | \$ 4,698,755 | \$ 536,109 |
| 0 | 0 | 0 | 800,000 | 897,378 | 97,378 |
| 24,691 | 23,903 | (788) | 5,669,383 | 6,180,908 | 511,525 |
| 0 | 0 | 0 | 167,000 | 135,378 | (31,622) |
| 0 | 0 | 0 | 17,000 | 2,615 | (14,385) |
| 0 | 0 | 0 | 136,320 | 158,140 | 21,820 |
| 0 | 0 | 0 | 65,669 | 124,244 | 58,575 |
| <u>24,691</u> | <u>23,903</u> | <u>(788)</u> | <u>11,018,018</u> | <u>12,197,418</u> | <u>1,179,400</u> |
| 23,998 | 23,998 | 0 | 5,370,316 | 5,321,443 | (48,873) |
| 0 | 0 | 0 | 916,626 | 884,723 | (31,903) |
| 0 | 0 | 0 | 44,987 | 44,987 | 0 |
| 0 | 0 | 0 | 27,418 | 32,304 | 4,886 |
| 0 | 0 | 0 | 266,023 | 265,256 | (767) |
| 24,628 | 24,628 | 0 | 770,519 | 710,892 | (59,627) |
| 0 | 0 | 0 | 476,081 | 453,615 | (22,466) |
| 0 | 0 | 0 | 69,042 | 69,042 | 0 |
| 0 | 0 | 0 | 1,085,849 | 1,068,860 | (16,989) |
| 0 | 0 | 0 | 671,198 | 671,198 | 0 |
| 0 | 0 | 0 | 2,193,084 | 2,193,084 | 0 |
| 0 | 0 | 0 | 710,352 | 710,352 | 0 |
| 0 | 0 | 0 | 24,533 | 24,533 | 0 |
| 0 | 0 | 0 | 206,702 | 130,394 | (76,308) |
| 0 | 0 | 0 | 477,334 | 477,334 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 61,637 | 61,637 | 0 |
| 0 | 0 | 0 | 2,458 | 2,458 | 0 |
| <u>48,626</u> | <u>48,626</u> | <u>0</u> | <u>13,374,159</u> | <u>13,122,112</u> | <u>(252,047)</u> |
| <u>(23,935)</u> | <u>(24,723)</u> | <u>(788)</u> | <u>(2,356,141)</u> | <u>(924,694)</u> | <u>1,431,447</u> |
| 0 | 0 | 0 | 5,000 | 10,472 | 5,472 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 10,878 | 10,878 | 0 |
| 0 | 0 | 0 | (10,878) | (10,878) | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>5,000</u> | <u>10,472</u> | <u>5,472</u> |
| (23,935) | (24,723) | (788) | (2,351,141) | (914,222) | 1,436,919 |
| 1,965 | 1,965 | 0 | 2,956,156 | 2,956,156 | 0 |
| 24,786 | 24,786 | 0 | 465,726 | 465,726 | 0 |
| <u>\$ 2,816</u> | <u>\$ 2,028</u> | <u>\$ (788)</u> | <u>\$ 1,070,741</u> | <u>\$ 2,507,660</u> | <u>\$ 1,436,919</u> |

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002**

| | Proprietary Fund Type <u>Enterprise Funds</u> | Fiduciary Fund Type <u>Nonexpendable Trust</u> | Totals (Memorandum Only) |
|--|---|--|--------------------------------|
| Operating Revenues: | | | |
| Lunchroom Sales | \$381,714 | \$0 | \$381,714 |
| Interest | 0 | 3,343 | 3,343 |
| Classroom Materials and Fees | 41,000 | 0 | 41,000 |
| Other Operating Revenues | 20,896 | 0 | 20,896 |
| Total Operating Revenues | <u>443,610</u> | <u>3,343</u> | <u>446,953</u> |
| Operating Expenses: | | | |
| Salaries and Fringe Benefits | 259,224 | 0 | 259,224 |
| Purchased Services | 13,613 | 0 | 13,613 |
| Supplies and Materials | 14,249 | 610 | 14,859 |
| Cost of Sales | 301,822 | 0 | 301,822 |
| Capital Outlay | 0 | 3,770 | 3,770 |
| Other Operating Expenses | 1,034 | 6,235 | 7,269 |
| Depreciation | 3,364 | 0 | 3,364 |
| Total Operating Expenses | <u>593,306</u> | <u>10,615</u> | <u>603,921</u> |
| Operating Income (Loss) | (149,696) | (7,272) | (156,968) |
| Nonoperating Revenues: | | | |
| Operating Grants | 143,733 | 0 | 143,733 |
| Donated Commodities | 35,525 | 0 | 35,525 |
| Total Nonoperating Revenues | <u>179,258</u> | <u>0</u> | <u>179,258</u> |
| Net Income (Loss) | 29,562 | (7,272) | 22,290 |
| Retained Earnings at Beginning of Year Restated (See Note 3) | 44,782 | 87,885 | 132,667 |
| Retained Earnings at End of Year | <u>74,344</u> | <u>80,613</u> | <u>154,957</u> |
| Contributed Capital at Beginning of Year | 12,496 | 0 | 12,496 |
| Contributions Received | 0 | 0 | 0 |
| Contributed Capital at End of Year | <u>12,496</u> | <u>0</u> | <u>12,496</u> |
| Total Fund Equity at End of Year | <u><u>86,840</u></u> | <u><u>80,613</u></u> | <u><u>167,453</u></u> |

See accompanying Notes to the General Purpose Financial Statements.

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

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002

| | Enterprise Funds | | |
|---|-------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Operating Revenues: | | | |
| Sales | \$ 352,770 | \$ 381,714 | \$ 28,944 |
| Classroom Materials and Fees | 44,100 | 40,861 | (3,239) |
| Interest | 0 | 0 | 0 |
| Other | 0 | 20,896 | 20,896 |
| Total Operating Revenues | <u>396,870</u> | <u>443,471</u> | <u>25,705</u> |
| Operating Expenses: | | | |
| Salaries | 168,270 | 168,270 | 0 |
| Fringe Benefits | 95,566 | 95,566 | 0 |
| Purchased Services | 16,907 | 16,907 | 0 |
| Materials and Supplies | 270,173 | 270,173 | 0 |
| Capital Outlay | 6,059 | 6,059 | 0 |
| Other | 1,034 | 1,034 | 0 |
| Total Operating Expenses | <u>558,009</u> | <u>558,009</u> | <u>0</u> |
| Excess of Revenues Over/Under Expenses | <u>(161,139)</u> | <u>(114,538)</u> | <u>25,705</u> |
| Nonoperating Revenues (Expenses): | | | |
| Grants | 98,500 | 129,882 | 31,382 |
| Other | 200 | 0 | (200) |
| Total Nonoperating Revenues (Expenses) | <u>98,700</u> | <u>129,882</u> | <u>31,182</u> |
| Excess (Deficiency) of Operating and Nonoperating Revenues over/(under) Operating and Nonoperating Expenses | (62,439) | 15,344 | 77,783 |
| Fund Balances at Beginning of Year | 64,259 | 64,259 | 0 |
| Prior Year Encumbrances Appropriated | 7,517 | 7,517 | 0 |
| Fund Balances at End of Year | <u>\$ 9,337</u> | <u>\$ 87,120</u> | <u>\$ 77,783</u> |

See accompanying Notes to the General Purpose Financial Statements.

| Nonexpendable Trust Fund | | | Totals (Memorandum Only) | | |
|--------------------------|------------------|----------------------------------|--------------------------|-------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 0 | \$ 0 | \$ 0 | \$ 352,770 | \$ 381,714 | \$ 28,944 |
| 0 | 0 | 0 | 44,100 | 40,861 | (3,239) |
| 2,500 | 3,343 | 843 | 2,500 | 3,343 | 843 |
| 0 | 0 | 0 | 0 | 20,896 | 20,896 |
| <u>2,500</u> | <u>3,343</u> | <u>843</u> | <u>399,370</u> | <u>446,814</u> | <u>26,548</u> |
| 0 | 0 | 0 | 168,270 | 168,270 | 0 |
| 0 | 0 | 0 | 95,566 | 95,566 | 0 |
| 0 | 0 | 0 | 16,907 | 16,907 | 0 |
| 610 | 610 | 0 | 270,783 | 270,783 | 0 |
| 3,771 | 3,771 | 0 | 9,830 | 9,830 | 0 |
| 6,835 | 6,334 | (501) | 7,869 | 7,368 | (501) |
| <u>11,216</u> | <u>10,715</u> | <u>(501)</u> | <u>569,225</u> | <u>568,724</u> | <u>(501)</u> |
| <u>(8,716)</u> | <u>(7,372)</u> | <u>1,344</u> | <u>(169,855)</u> | <u>(121,910)</u> | <u>27,049</u> |
| 0 | 0 | 0 | 98,500 | 129,882 | 31,382 |
| 650 | 0 | (650) | 850 | 0 | (850) |
| <u>650</u> | <u>0</u> | <u>(650)</u> | <u>99,350</u> | <u>129,882</u> | <u>30,532</u> |
| (8,066) | (7,372) | 694 | (70,505) | 7,972 | 78,477 |
| 87,885 | 87,885 | 0 | 152,144 | 152,144 | 0 |
| 0 | 0 | 0 | 7,517 | 7,517 | 0 |
| <u>\$ 79,819</u> | <u>\$ 80,513</u> | <u>\$ 694</u> | <u>\$ 89,156</u> | <u>\$ 167,633</u> | <u>\$ 78,477</u> |

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

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002

| | Proprietary Fund Types | Fiduciary Fund Types | Totals |
|--|---------------------------|-------------------------|----------------------|
| | Enterprise Funds | Nonexpendable Trust | (Memorandum Only) |
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from Customers | \$443,471 | \$0 | \$443,471 |
| Interest | 0 | 3,343 | 3,343 |
| Cash Payments for Personal Services | (168,270) | 0 | (168,270) |
| Cash Payments for Fringe Benefits | (95,566) | 0 | (95,566) |
| Cash Payments to Suppliers | (277,011) | (10,615) | (287,626) |
| Net Cash Used in Operating Activities | (97,376) | (7,272) | (104,648) |
| <u>Cash Flows from Noncapital Financing Activities:</u> | | | |
| Operating Grants | 129,882 | 0 | 129,882 |
| <u>Cash Flows From Capital and Related Financing Activities</u> | | | |
| Acquisition of Capital Assets | (4,683) | 0 | (4,683) |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Purchase of Investments | 0 | (77,966) | (77,966) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 27,823 | (85,238) | (57,415) |
| Cash and Cash Equivalents at Beginning of Year | 71,777 | 87,885 | 159,662 |
| Cash and Cash Equivalents at End of Year | \$99,600 | \$2,647 | \$102,247 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | | | |
| Operating Loss | (\$149,696) | (\$7,272) | (\$156,968) |
| Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities: | | | |
| Depreciation | 3,364 | 0 | 3,364 |
| Donated Commodities Used | 35,525 | 0 | 35,525 |
| Changes in Assets and Liabilities: | | | |
| (Increase) in Inventory | (9,567) | 0 | (9,567) |
| (Increase) in Accounts Receivable | (139) | 0 | (139) |
| (Increase) in Prepayments | (152) | 0 | (152) |
| Increase in Accounts Payable | 2,833 | 0 | 2,833 |
| Increase in Deferred Revenue | 15,940 | 0 | 15,940 |
| Increase in Accrued Wages and Benefits Payable | 2,545 | 0 | 2,545 |
| (Decrease) in Compensated Absences Payable | (10,825) | 0 | (10,825) |
| Increase in Intergovernmental Payable | 12,796 | 0 | 12,796 |
| Net Cash Used in Operating Activities | (\$97,376) | (\$7,272) | (\$104,648) |
| <u>Reconciliation of Nonexpendable Trust Fund Cash and Cash Equivalents to Balance Sheet:</u> | | | |
| All Fiduciary Fund Types | | \$51,475 | |
| Less: Agency Funds | | (48,828) | |
| Cash and Cash Equivalents - Nonexpendable Trust | | \$2,647 | |

See accompanying Notes to the General Purpose Financial Statements.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately three hundred square miles. It is located in Wyandot, Marion, and Crawford Counties, and includes all of the City of Upper Sandusky. It is staffed by 74 classified employees, 131 certified full-time teaching personnel, and eleven administrative employees who provide services to approximately 1,851 students and other community members. The School District currently operates five instructional buildings and one bus garage.

Reporting Entity

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

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

The School District's reporting entity includes the following:

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

The School District is associated with two jointly governed organizations, two insurance pools, and a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Vanguard-Sentinel Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Wyandot-Crawford Health Benefit Plan, and the Upper Sandusky Community Public Library. Information about these organizations is presented in Notes 19, 20, and 21 to the general purpose financial statements.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Upper Sandusky Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types - Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

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

Resources received through Senate Bill 81, which are reflected in the General Fund, and the Gifted and Talented and Public School Preschool special revenue funds are flow through grants in which the North Central Ohio Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted, and the School District does not maintain separate budgetary records.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Budget

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

By no later than January 20, the Board-adopted budget is filed with the Wyandot County Budget Commission for 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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

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 at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School 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 any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to STAROhio and certificates of deposit. These investments are reported at fair value.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

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

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

E. Restricted Assets and Reserve for Set-Asides

Restricted assets in the general fund represent cash and cash equivalents for which use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District. See Note 22 for calculation for the year-end restricted asset balance and the corresponding fund balance reserve.

F. Estimates

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life ranging between six and thirty years.

J. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are considered not to have used current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market values on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepaid assets, inventories of materials and supplies, advances, property tax revenue, contributions to the nonexpendable trust fund that must be kept intact, and, if applicable, statutory set-asides (see Note 22). The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when all applicable eligibility requirements have been met and the resources are available. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Professional Development
Early Childhood Education
School Building Incentive
Data Communications
School Net Professional Development
Ohio Reads
Education Management Information Systems
Adult Basic Education
Eisenhower
Title VI-B
Title I
Title VI
Drug-Free School
Title VI-R
Drug Free
School Renovation, IDEA & Technology

Capital Projects Funds

School Net

Reimbursable Grants

Special Revenue Funds

Family Resource Center

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 49 percent of the School District's operating revenue during the 2002 fiscal year.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

In the prior year, the ending fund balances of numerous nonreimbursement type grants totaling \$129,252, under the assumption they were reimbursement type grants, were erroneously recorded as deferred revenue. In addition, no liability was recorded for accrued benefits (employee insurance benefits) of \$155,560. To correct for these errors, the beginning fund balances/retained earnings have been restated as follows:

| | Previously Stated Balance <u>06/30/01</u> | <u>Adjustments</u> | Restated Balance <u>07/01/01</u> |
|-----------------------|--|--------------------|--|
| General Fund | \$ 2,797,576 | \$ (138,768) | \$ 2,658,808 |
| Special Revenue Funds | 111,243 | 122,310 | 233,553 |
| Enterprise Funds | 54,632 | (9,850) | 44,782 |

NOTE 4 – FUND DEFICITS

The Adult Basis Education Special Revenue Fund had a deficit fund balance of (\$4,386) as of June 30, 2002. The deficit fund balance was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit fund balances, however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budget basis statements by fund type.

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

| | Governmental Fund Types | | |
|----------------------|--------------------------------|----------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> |
| GAAP basis | \$ (299,130) | \$ 11,605 | \$ (24,723) |
| Revenue accruals | (164,983) | (6,905) | 0 |
| Expenditure accruals | 123,364 | 17,969 | 0 |
| Transfers | 23,500 | (23,500) | 0 |
| Advances | (10,878) | 10,878 | 0 |
| Encumbrances | <u>(527,657)</u> | <u>(43,762)</u> | <u>0</u> |
| Budget basis | <u>\$ (855,784)</u> | <u>\$ (33,715)</u> | <u>\$ (24,723)</u> |

Net Income/Excess of Revenues Over (Under) Expenses

| | <u>Enterprise</u> |
|----------------------|-------------------|
| GAAP basis | \$ 29,562 |
| Revenue accruals | (13,990) |
| Donated commodities | (35,525) |
| Expenditure accruals | 44,412 |
| Depreciation | 3,364 |
| Encumbrances | <u>(12,479)</u> |
| Budget basis | <u>\$ 15,344</u> |

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 – CASH AND CASH EQUIVALENTS

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

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

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

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

Protection of the School 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not to exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 – CASH AND CASH EQUIVALENTS (continued)

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

The School District had no investments required to be categorized at year-end.

Cash on Hand - At fiscal year-end, the School District had \$387 in cash with fiscal agent held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as “Cash with Fiscal and Escrow Agents”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements.”

Deposits - At fiscal year-end, the carrying amount of the School District’s deposits was \$1,475,999, including \$1,300 cash on hand and \$77,966 in non-negotiable certificates of deposit. The total bank balance was \$1,997,833. Of the bank balance:

1. \$277,966 was covered by federal depository insurance; and
2. \$1,719,867 was uninsured and uncollateralized. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution’s name, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments – The School District’s investments are required to be categorized to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District, or its agent in the District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department, but not in the District’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| | <u>Carrying Amount</u> | <u>Market Value</u> |
|-----------------------------|-----------------------------------|--------------------------------|
| STAR Ohio - Not Categorized | \$1,832,124 | \$1,832,124 |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 – CASH AND CASH EQUIVALENTS (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents | Investments |
|--|------------------------------|--------------|
| GASB Statement No. 9 | \$ 3,230,544 | \$ 77,966 |
| Investments which are part of | | |
| STAROhio | (1,832,124) | 1,832,124 |
| Certificates of deposit with original maturities greater than ninety days | 77,966 | (77,966) |
| Cash with fiscal and escrow agents | (387) | 0 |
| GASB Statement No. 3 | \$ 1,475,999 | \$ 1,832,124 |

NOTE 7 - PROPERTY TAXES

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

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. The most recent tax valuation assessment was \$218,921,200, disclosed as follows:

| | Amount | Percent |
|--|----------------|----------|
| Real Property - Agricultural / Residential | \$ 136,951,670 | 62.56% |
| Real Property - Commercial / Industrial | 33,369,380 | 15.24% |
| Real Property - Public Utilities | 172,450 | 0.08% |
| Personal Property - General | 39,851,710 | 18.20% |
| Personal Property - Public Utilities | 8,575,990 | 3.92% |
| Total Assessed Values | \$ 218,921,200 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | | \$ 35.30 |

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 7 - PROPERTY TAXES (continued)

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

The School District receives property taxes from Wyandot, Marion and Crawford Counties. The Counties' Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility property taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$289,789 in the General Fund.

NOTE 8 - INCOME TAXES

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2002, consisted of property and income taxes, accounts (student fees and billings for user charged services), accrued interest and intergovernmental grants. 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 fiscal year guarantee of Federal funds.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

| | |
|--------------------------------|------------------|
| Furniture and Equipment | \$ 173,740 |
| Less: Accumulated Depreciation | <u>(131,645)</u> |
| Net Fixed Assets | <u>\$ 42,095</u> |

A summary of the changes in general fixed assets during fiscal year 2002 follows:

| | Balance 06/30/01 | Additions | Deletions | Balance 06/30/02 |
|-----------------------------------|----------------------|---------------------|---------------------|----------------------|
| Land and Improvements | \$ 174,491 | \$ 2,679 | \$ 0 | \$ 177,170 |
| Buildings and Improvements | 5,638,318 | 746,308 | 0 | 6,384,626 |
| Furniture, Fixtures and Equipment | 3,418,167 | 304,573 | (122,631) | 3,600,109 |
| Books | 1,366,833 | 0 | 0 | 1,366,833 |
| Vehicles | <u>1,413,759</u> | <u>100,040</u> | <u>0</u> | <u>1,513,799</u> |
| Totals | <u>\$ 12,011,568</u> | <u>\$ 1,153,600</u> | <u>\$ (122,631)</u> | <u>\$ 13,042,537</u> |

NOTE 11 - RISK MANAGEMENT

A. General Risk

The School District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following coverages:

| | |
|---|---------------|
| Building and Contents - replacement cost (\$2,500 deductible) | \$ 27,798,786 |
| Inland Marine Coverage (\$500 deductible) | 500,000 |
| Boiler and Machinery (\$2,500 deductible) | 27,798,786 |
| Automobile Liability (\$500 deductible) | 2,000,000 |
| Uninsured Motorists (\$500 deductible) | 1,00,000 |
| 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 and there have been no significant reductions in insurance coverage from last year.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - RISK MANAGEMENT (continued)

B. Insurance Purchasing Pools

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

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement Systems

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, OH 43215-3746.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$ 209,376, \$ 220,368, and \$ 178,404, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. Of the unpaid contributions totaling \$ 104,688, \$ 34,896 is recorded as a liability within the respective funds, and \$ 69,792 is recorded in the general long-term obligations account group.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The School 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$ 792,264, \$689,856, and \$680,028, respectively; 83.3 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$ 132,044, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have the option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 – POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$ 254,656. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 – POST-EMPLOYMENT BENEFITS (continued)

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the School District, this amount was approximately \$149,126 for fiscal year 2002.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million and the number of participants currently receiving health care benefits is approximately 50,000.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for severance is 195 days. Upon retirement, payment is made for 25 percent of the employee’s balance based upon their years of service. Teachers are also entitled to an additional forty bonus days if certain requirements are met.

B. Health Care Benefits

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

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copiers and computers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Proceed from Inception of Capital Lease" in the fund which will be making the lease payment. Capital lease payments are reflected as debt service expenditures on the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Principal payments in fiscal year 2002 totaled \$44,027 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002:

| | | General Long- Term Obligations Account Group |
|---|------|--|
| Year ending June 30, | 2003 | \$ 51,463 |
| | 2004 | 51,463 |
| | 2005 | 19,890 |
| | 2006 | 19,890 |
| | 2007 | <u>6,630</u> |
| Total | | 149,336 |
| Less: Amount representing interest | | <u>(19,304)</u> |
| Present value of minimum lease payments | | <u>\$ 130,032</u> |

NOTE 16 - LONG-TERM OBLIGATIONS

Long-term obligations of the District as of June 30, 2002 were as follows:

Energy Conservation Improvement Notes totaling \$265,000 were issued on February 21, 1991, to provide energy conservation measures for the School District. A loan was issued under the authority of Ohio Revised Code sections 133.06(G) and 3313.372 at 6.5% interest, for a ten-year period, with final maturity in fiscal year 2002.

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

The District received an interest-free Smart Financing Loan in the amount of \$106,357, on October 31, 1997, for a five-year period, with final maturity in fiscal year 2003.

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

The School District's overall legal debt margin was \$19,650,288, with an unvoted debt margin of \$166,301 at June 30, 2002.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term loans at June 30, 2002, are as follows:

| | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------|------------------|-----------------|------------------|
| Year ending June 30, | 2003 | \$ 18,184 | \$ 3,381 | \$ 21,565 |
| | 2004 | 7,936 | 1,746 | 9,682 |
| | 2005 | 8,369 | 1,313 | 9,682 |
| | 2006 | 8,825 | 857 | 9,682 |
| | 2007 | <u>9,306</u> | <u>375</u> | <u>9,681</u> |
| | | <u>\$ 52,620</u> | <u>\$ 7,672</u> | <u>\$ 60,292</u> |

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

| | <u>Balance July 1, 2001</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2002</u> |
|------------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Long-Term Loans Payable: | | | | |
| Energy Conservation Loans | \$ 84,097 | \$ 0 | \$ (38,568) | \$ 45,529 |
| Smart Financing Loan | 30,135 | 0 | (23,044) | 7,091 |
| Capital Leases Payable | 59,757 | 114,302 | (44,027) | 130,032 |
| Intergovernmental Payable | 0 | 87,847 | 0 | 87,847 |
| Compensated Absences Payable | <u>942,021</u> | <u>0</u> | <u>(172,085)</u> | <u>769,936</u> |
| Total | <u>1,116,010</u> | <u>202,149</u> | <u>(277,724)</u> | <u>1,040,435</u> |

NOTE 17 - INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------|---------------------------------|------------------------------|
| General Fund | \$ 10,878 | \$ 0 |
| Special Revenue Fund: | | |
| Family Resource Center | <u>0</u> | <u>10,878</u> |
| | <u>\$ 10,878</u> | <u>\$ 10,878</u> |

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and school age child care. The table below reflects the more significant financial data relating to the enterprise funds of the Upper Sandusky Exempted Village School District as of and for the fiscal year ended June 30, 2002.

| | <u>Food Service</u> | <u>Uniform School Supplies</u> | <u>School Age Child Care</u> | <u>Total Enterprise Funds</u> |
|-------------------------|-------------------------|--|--------------------------------------|---------------------------------------|
| Operating revenues | \$ 381,714 | \$ 41,000 | \$ 20,896 | \$ 443,610 |
| Operating expenses, | | | | |
| less depreciation | 553,341 | 34,297 | 2,304 | 589,942 |
| Depreciation expense | 3,337 | 0 | 27 | 3,364 |
| Operating income (loss) | (174,964) | 6,703 | 18,565 | (149,696) |
| Donated commodities | 35,525 | 0 | 0 | 35,525 |
| Operating grants | 143,733 | 0 | 0 | 143,733 |
| Net income | 4,294 | 6,703 | 18,565 | 29,562 |
| Fixed asset additions | 4,683 | 0 | 0 | 4,683 |
| Net working capital | 26,753 | 17,709 | 29,829 | 74,291 |
| Total assets | 130,654 | 17,709 | 30,205 | 178,568 |
| Total equity | 38,926 | 17,709 | 30,205 | 86,840 |

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association

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

A. Vanguard-Sentinel Joint Vocational School

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

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 20 – INSURANCE POOLS

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

The School District participates in a group rating plan for workers’ compensation as established under Section 4123.29, Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire.

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

B. Wyandot-Crawford Health Benefit Plan

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

Each school district decides which benefit programs offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Elaine Shaffley, Account Manager, 229 Huber Village Blvd., Westerville, Ohio 43081-5325.

NOTE 21 – RELATED ORGANIZATIONS

The Upper Sandusky Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Upper Sandusky Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The Library is not considered part of the School District, and its operations are not included within the accompanying financial statements. Financial information can be obtained from John Lyon, Clerk/Treasurer, 310 North Sandusky Avenue Upper Sandusky, Ohio 43351.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 22 - STATUTORY RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

In addition, although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the District has opted to maintain their reserve to offset any budget deficit the District may experience in future fiscal years. During the fiscal year ended June 30, 2002, the District's cash basis reserve activity was as follows:

| | <u>Textbook Reserve</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> | <u>Totals</u> |
|---|-----------------------------|--------------------------------|---------------------------------|-----------------------|
| Set-aside cash balance as of June 30, 2001 | \$ (335,104) | \$ 0 | \$ 151,993 | \$ (183,111) |
| Current year set-aside requirements | 225,090 | 225,090 | 0 | 450,180 |
| Qualifying disbursements | <u>(300,643)</u> | <u>(1,007,201)</u> | <u>0</u> | <u>(1,307,844)</u> |
| | <u>\$ (410,657)</u> | <u>\$ (782,111)</u> | <u>\$ 151,993</u> | <u>\$ (1,040,775)</u> |
| Set-aside balance carried forward to future fiscal years | <u>\$ (410,657)</u> | <u>\$ 0</u> | <u>\$ 151,993</u> | |
| Set-aside reserved balance as of June 30, 2002 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 151,993</u> | |

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

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

The School District is a party to a legal proceeding. The School District is of the opinion that the ultimate disposition of the claim will not have a material effect, if any, on the financial condition of the School District.

**UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 24 – SCHOOL FUNDING DECISION

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

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

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Grantor Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|-----------------------------------|---------------------------|-------------------|----------------------|-------------------|--------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>(Passed Through Ohio Department of Education)</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | N/A | 10.550 | \$ 0 | \$ 43,618 | \$ 0 | \$ 35,525 |
| School Breakfast Program | N/A | 10.553 | 7,905 | 0 | 7,905 | 0 |
| National School Lunch Program | N/A | 10.555 | 116,122 | 0 | 116,122 | 0 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 124,027 | 43,618 | 124,027 | 35,525 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>(Passed Through Ohio Department of Education)</i> | | | | | | |
| Adult Education State Grant Program | AB-S1-02 | 84.002 | 12,950 | 0 | 19,634 | 0 |
| Title I Grants to Local Education Agencies | C1-S1-01 | 84.010 | 10,705 | 0 | 29,495 | 0 |
| | C1-S1-02 | | 196,627 | 0 | 176,339 | 0 |
| Total Title I Grants to Local Education Agencies | | | 207,332 | 0 | 205,834 | 0 |
| Special Education Grants to States | 6B-SF-01 | 84.027 | 12,771 | 0 | 24,011 | 0 |
| | 6B-SF-02 | | 100,138 | 0 | 64,526 | 0 |
| Total Special Education Grants to States | | | 112,909 | 0 | 88,537 | 0 |
| Drug-Free Schools Grant | DR-S1-01 | 84.186 | 0 | 0 | 72 | 0 |
| | DR-S1-02 | | 6,990 | 0 | 5,605 | 0 |
| Total Drug-Free Schools Grant | | | 6,990 | 0 | 5,677 | 0 |
| Eisenhower Professional Development State Grant | MS-S1-01 | 84.281 | 0 | 0 | 2,842 | 0 |
| | MS-S1-02 | | 8,926 | 0 | 4,670 | 0 |
| Total Eisenhower Professional Development State Grant | | | 8,926 | 0 | 7,512 | 0 |
| Innovative Education Program Strategies | C2-S1-01 | 84.298 | 0 | 0 | 1,386 | 0 |
| | C2-S1-02 | | 8,671 | 0 | 7,029 | 0 |
| Total Innovative Education Program Strategies | | | 8,671 | 0 | 8,415 | 0 |
| Class Size Reduction | CR-S1-01 | 84.340 | 3,716 | 0 | 10,033 | 0 |
| | CR-S1-02 | | 34,091 | 0 | 24,409 | 0 |
| Total Class Size Reduction | | | 37,807 | 0 | 34,442 | 0 |
| School Renovation Grants | AT-S1-02 | 84.352A | 13,585 | 0 | 5,086 | 0 |
| Total U.S. Department of Education | | | 409,170 | 0 | 375,137 | 0 |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | | |
| <i>Passed Through Ohio Children's Trust Fund:</i> | | | | | | |
| Family Resource and Support Grants | FY00 | 93.590 | 0 | 0 | 4,241 | 0 |
| | FY01 | | 2,925 | 0 | 13,099 | 0 |
| Total U.S. Department of Health and Human Services | | | 2,925 | 0 | 17,340 | 0 |
| Totals | | | \$ 536,122 | \$ 43,618 | \$ 516,504 | \$ 35,525 |

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

**NOTES TO THE SCHEDULE RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

Steen & Kennedy

Certified Public Accountants

Business & Government Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Upper Sandusky Exempted Village School District
390 West Walker Street
Upper Sandusky, Ohio 43351

We have audited the general purpose financial statements of the Upper Sandusky Exempted Village School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

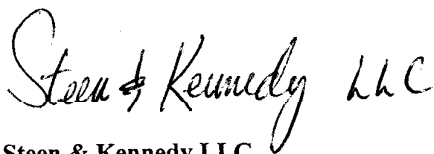
Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving internal controls over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 28, 2003.

This report is intended solely for the information and use of the district's board, management, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Steen & Kennedy LLC
March 28, 2003

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Upper Sandusky Exempted Village School District
390 West Walker Street
Upper Sandusky, Ohio 43351

Compliance

We have audited the compliance of Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

Board of Education

Upper Sandusky Exempted Village School District

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Steen & Kennedy LLC". The signature is written in black ink and is positioned above the printed name of the firm.

Steen & Kennedy LLC

March 28, 2003

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

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

JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

| | | |
|--------------|--|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a) of Circular A-133? | No |
| (d)(1)(vii) | Major Programs (list): | Title I CFDA # 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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Facsimile 614-466-4490

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 13, 2003**