

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Carey Exempted Village School District, Wyandot County, prepared by LublinSussman Group LLP, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 15, 2007

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1-2
Statement of Cash and Cash Equivalents and Fund Cash Balances - All Fund Types for the Year Ended June 30, 2006.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types for the Year Ended June 30, 2006.....	4-5
Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types for the Year Ended June 30, 2006.....	6
Statement of Receipts - Budget and Actual Comparison- All Governmental, Proprietary, and Fiduciary Fund Types for the Year Ended June 30, 2006.....	7
Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Governmental, Proprietary and Fiduciary Fund Types for the Fiscal Year Ended June 30, 2006.....	8
Notes to the Financial Statements.....	9-25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	26-27
Schedule of Findings.....	28
Schedule of Prior Audit Findings.....	29

3166 N. Republic Blvd.,
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of cash and cash equivalents and fund cash balances, cash receipts, cash disbursements, and changes in fund cash balances, receipts - budget and actual, and disbursements and encumbrances compared with expenditure authority for each fund of the Carey Exempted Village School District, Wyandot County (the District) as of and for the year ended June 30, 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its financial report in accordance with accounting principles generally accepted in the United States of America. However, as described in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, we believe are material, but are not readily determinable.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the year ended June 30, 2006, in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Subling Sussman Group LLP

November 10, 2006
Toledo, Ohio

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30

	<u>2006</u>
Cash and Cash Equivalents	\$ <u>2,911,542</u>
Governmental Fund Types:	
General Fund	2,348,321
Special Revenue Fund	291,999
Capital Projects Fund	150,595
Proprietary Fund Types:	
Enterprise Fund	36,011
Internal Service Fund	10,140
Fiduciary Funds Types:	
Expendable Trust Fund	25,071
Agency Fund	<u>49,405</u>
Total	\$ <u>2,911,542</u>

See Notes to Financial Statements

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Local Sources:					
Taxes	\$ 2,901,363	\$ 0	\$ 189,228	\$ 0	\$ 3,090,591
Tuition	337,650	0	0	0	337,650
Transportation Fees	844	0	0	0	844
Earnings on Investments	102,932	1,081	0	789	104,802
Extracurricular Activities	0	117,800	0	0	117,800
Classroom Materials and Fees	51,529	0	0	0	51,529
Other Local Revenues	239,545	0	0	2,744	242,289
Intergovernmental Revenue - Intermediate	8,740	13,900	0	0	22,640
Intergovernmental Revenue - State	3,603,875	117,071	29,044	0	3,749,990
Intergovernmental Revenue - Federal	0	403,002	2,490	0	405,492
Total Cash Receipts	<u>7,246,478</u>	<u>652,854</u>	<u>220,762</u>	<u>3,533</u>	<u>8,123,627</u>

Cash Disbursements:					
Instruction:					
Regular	\$ 2,890,756	\$ 70,185	\$ 0	\$ 0	\$ 2,960,941
Special	488,921	286,642	0	0	775,563
Vocational	412,191	0	0	0	412,191
Other	285,624	0	0	0	285,624
	0	0	0	0	0
Support Services:					
Pupil	291,398	26,481	6,030	0	323,909
Instructional Staff	294,371	62,258	8,490	0	365,119
Board of Education	36,605	0	0	0	36,605
Administration	568,477	9,325	0	0	577,802
Fiscal Services	288,382	0	7,473	0	295,855
Operations and Maintenance of Plant	443,162	0	86,478	0	529,640
Pupil Transportation	235,782	530	0	0	236,312
Central	39,423	5,090	0	0	44,513
Operation of non-instructional Services	0	127,417	0	0	127,417
Extracurricular Activities	248,283	96,165	0	0	344,448
Scholarships Awarded	0	0	0	0	0
Total Cash Disbursements	<u>6,523,375</u>	<u>684,093</u>	<u>108,471</u>	<u>2,400</u>	<u>7,318,339</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	723,103	(31,239)	112,291	1,133	805,288

See Notes to Financial Statements

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2006 (CONTINUED)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memo. Only)
	General	Special Revenue	Capital Projects	Expendable Trust		
Other Financing Sources (Uses):						
Transfers-In	\$ 90,000	\$ 42,233	\$ 0	\$ 0	\$ 0	\$ 132,233
Transfers-Out	<u>(42,233)</u>	<u>0</u>	<u>(90,000)</u>	<u>0</u>	<u>0</u>	<u>(132,233)</u>
Total Other Financing Sources (Uses)	<u>47,767</u>	<u>42,233</u>	<u>(90,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	770,870	10,994	22,291	1,133		805,288
Fund Cash Balances, July 1, 2005-restated (Note 2)	<u>1,577,451</u>	<u>281,005</u>	<u>128,304</u>	<u>23,938</u>		<u>2,010,698</u>
Fund Cash Balances, June 30, 2006	<u>\$ 2,348,321</u>	<u>\$ 291,999</u>	<u>\$ 150,595</u>	<u>\$ 25,071</u>		<u>\$ 2,815,986</u>

See Notes to Financial Statements

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

	Proprietary Fund Types		Fiduciary Fund	Totals (Memo. Only)
	Enterprise	Internal Service	Agency	
Operating Receipts:				
Extracurricular Activities	\$ 0	\$ 7,758	\$ 127,396	\$ 135,154
Food Services	208,249	0	0	208,249
Classroom Materials and Fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Cash Receipts	208,249	7,758	127,396	343,403
Operating Expenses:				
Employees Salaries and Wages	89,461	0	0	89,461
Employee Retirement and Insurance	60,681	0	0	60,681
Purchased Services	6,770	616	0	7,386
Supplies and Materials	109,011	9,021	0	118,032
Extracurricular Activities	0	0	138,304	138,304
Other Objects	<u>327</u>	<u>0</u>	<u>0</u>	<u>327</u>
Total Operating Cash Disbursements	<u>266,250</u>	<u>9,637</u>	<u>138,304</u>	<u>414,191</u>
Operating Loss	(58,001)	(1,879)	(10,908)	(70,788)
Nonoperating Receipts:				
Earnings on Investments	1,104	0	0	1,104
State Sources	2,069	0	0	2,069
Federal Sources	67,884	0	0	67,884
Miscellaneous	<u>85</u>	<u>0</u>	<u>0</u>	<u>85</u>
Total Nonoperating Cash Receipts	<u>71,142</u>	<u>0</u>	<u>0</u>	<u>71,142</u>
Net Cash Receipts Over (Under) Cash Disbursements	13,141	(1,879)	(10,908)	354
Fund Cash Balances at July 1, 2005-restated (Note 2)	<u>22,870</u>	<u>12,019</u>	<u>60,313</u>	<u>95,202</u>
Fund Cash Balances at June 30, 2006	<u>\$ 36,011</u>	<u>\$ 10,140</u>	<u>\$ 49,405</u>	<u>\$ 95,556</u>

See Notes to Financial Statements

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL COMPARISON
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$ 7,181,304	\$ 7,336,478	\$ 155,174
Special Revenue Funds	667,342	695,087	27,745
Capital Projects Funds	210,336	220,762	10,426
Proprietary Fund Types:			
Enterprise Funds	248,499	279,391	30,892
Internal Service Funds	7,700	7,758	58
Fiduciary Fund Types:			
Trust and Agency Funds	<u>119,795</u>	<u>130,929</u>	<u>11,134</u>
Total	<u>\$ 8,434,976</u>	<u>\$ 8,670,405</u>	<u>\$ 235,429</u>

See Notes to Financial Statements

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Prior Year Carryover	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 6/30/06	Total	Variance: Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$ 165,179	\$ 7,016,683	\$ 7,181,862	\$ 6,565,608	\$ 191,395	\$ 6,757,003	\$ 424,859
Special Revenue Funds	38,326	759,225	797,551	684,093	38,870	722,963	74,588
Capital Projects Funds	45,840	255,523	301,363	198,471	82,796	281,267	20,096
Proprietary Fund Types:							
Enterprise Funds	2,731	288,774	291,505	266,250	3,324	269,574	21,931
Internal Service Funds	0	10,000	10,000	9,637	0	9,637	363
Fiduciary Fund Types:							
Trust and Agency Funds	18,155	137,660	155,815	140,704	7,317	148,021	7,794
Total	<u>\$ 270,231</u>	<u>\$ 8,467,865</u>	<u>\$ 8,738,096</u>	<u>\$ 7,864,763</u>	<u>\$ 323,702</u>	<u>\$ 8,188,465</u>	<u>\$ 549,631</u>

See Notes to Financial Statements

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1881. The District serves an area of approximately sixty-four square miles. It is located in Wyandot and Seneca Counties. The District is the 522nd largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 41 classified employees and 72 certified employees who provide services to 889 students and other community members. The District currently operates one building which serves grades K through 12.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Although required by Ohio Administrative Code § 117-2-03 (B) to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

These statements omit entity wide statements, and assets, liabilities, fund equities, and required note disclosures.

REPORTING ENTITY

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

Our Lady of Consolation

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

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

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

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

North Central Ohio Special Education Regional Resource Center

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Northwestern Ohio Educational Research Council, Inc.

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

North Central Regional Professional Development Center

The North Central Regional Professional Development Center (the "Center") is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The Center was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Eileen Lemaster, Mid-Ohio Educational Services Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

PUBLIC ENTITY RISK POOLS

Ohio School Plan

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ohio School Board Association Workers' Compensation Group Rating Plan

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

The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Wyandot-Crawford Health Benefit Plan

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

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

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

RELATED ORGANIZATION

Dorcas Carey Library

The Dorcas Carey Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Carey Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Dorcas Carey Library, Laura Toland, Clerk/Treasurer, 236 East Findlay Street, Carey, Ohio 43316.

FUND ACCOUNTING

The District uses fund accounting to segregate cash and investments that are restricted as to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

Government funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund

The general fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources (other than capital projects or trust funds) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital project funds 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).

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

Enterprise Funds

Enterprise funds account for operations which are financed and operated in a manner similar to private business enterprises and for which the District intends to support a material portion of the operating costs with user charges.

Internal Service Funds

Internal service funds account for operations of the extracurricular activities that the students participate in.

FIDUCIARY FUND TYPES

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS

A. Budget

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

B. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayer's 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 County Budget Commission for rate determination.

C. Estimated Resources

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

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year 2006 and do not include the unencumbered fund balances as of July 1, 2005. However, those fund balances are available for appropriations.

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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, level of expenditures, which is the legal level 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 District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

E. 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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

F. Lapsing of Appropriations

At the close of each 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.

PROPERTY, PLANT, AND EQUIPMENT

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

UNPAID VACATION AND SICK LEAVE

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

CASH AND INVESTMENTS

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

During 2006, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$102,932, which includes \$21,909 assigned from other funds.

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

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

TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memo. Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation.

INTERFUND ACTIVITY

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

(2) CHANGE IN ACCOUNTING PRINCIPLE AND BASIS OF PRESENTATION

During 2006, the District changed from the accrual basis of accounting to the cash basis of accounting. The fund balances for June 30, 2005 have been restated to account for the change in accounting basis, which effectively eliminated balance sheet accruals.

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on fund balances at June 30, 2005 as reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Fund Balance at June 30, 2005	\$ 1,210,648	\$ 312,560	\$ 1,523,208
Change in Reporting Basis Adjustments	<u>366,803</u>	<u>96,749</u>	<u>498,441</u>
Restated Fund Cash Balance at June 30, 2005	<u>\$ 1,577,451</u>	<u>\$ 409,309</u>	<u>\$ 2,021,649</u>

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(2) CHANGE IN ACCOUNTING PRINCIPLE AND BASIS OF PRESENTATION (CONTINUED)

The breakout of the restated nonmajor governmental fund cash balance at June 30, 2005 is as follows:

Special Revenue Fund	\$ 281,005
Capital Projects Fund	<u>128,304</u>
	<u>\$ 409,309</u>

The remaining funds reported on this June 30, 2006 financial statement (Expendable Trust, Enterprise, Internal Service, and Agency) were either not reported on the June 30, 2005 financial statements or had no adjustments as a result of the change in accounting principle.

During 2006, the District also changed its basis of presentation from GASB Statement No. 34 to fund balance presentation. These statements omit entity wide statements and certain note disclosures. No adjustments to fund balances were required as a result of this change.

(3) DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 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 pass book accounts.

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(3) DEPOSITS AND INVESTMENTS (CONTINUED)

State Statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim money available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(3) DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS

A. Cash on Hand

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

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$954 cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the financial statements as "Cash with Fiscal Agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 40.

C. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$2,910,538. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as June 30, 2006, \$2,713,086 of the District's bank balance of \$2,916,086 was exposed to custodial risk as discussed below, while \$203,000 was covered by Federal Deposit Insurance Corporation.

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

The District did not have any investments at June 30, 2006.

D. Reconciliation of District deposits to the Statement of Cash and Cash Equivalents and Fund Cash Balances

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2006

(3) DEPOSITS AND INVESTMENTS (CONTINUED)

The following is a reconciliation of deposits as reported in the footnote above to cash and cash equivalents as reported on the Statement of Cash and Cash Equivalents and Fund Cash Balances as of June 30, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 2,910,538
Cash on hand	50
Cash with fiscal agent	<u>954</u>
Total Cash and Cash Equivalents	<u>\$ 2,911,542</u>

(4) PROPERTY TAX

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

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2006

(4) PROPERTY TAX (CONTINUED)

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

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$72,501,030	78.05	\$74,085,120	84.87
Public utility personal	121,790	0.13	121,370	0.14
Tangible personal property	<u>20,274,190</u>	<u>21.82</u>	<u>13,089,950</u>	<u>14.99</u>
Total	<u>\$92,897,010</u>	<u>100.00</u>	<u>\$87,296,440</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 52.90		 52.90	

(5) DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2006, plan members contributed ten percent of their annual-covered salary and the District contributed fourteen percent. Contributions amounted to \$110,679, \$82,333, and \$65,939 for the years ended June 30, 2006, 2005, and 2004, respectively. The District has paid all contributions required through June 30, 2006.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Board Street, Columbus, Ohio 43215-3771.

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(5) DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System (Continued)

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

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

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2006, members of STRS contributed 10 % of their wages to the STRS. The District contributed an amount equal to 14 % of their wages with 13 % used to fund the pension obligation. Contributions amounted to \$475,438, \$439,795, and \$416,849 for the years ended June 30, 2006, 2005, and 2004. The District has paid all contributions required through June 30, 2006.

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2006

(6) RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the District participated in the Ohio School Plan (the "Plan"), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Coverage provided by Indiana Insurance Company is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$16,378,060
Inland Marine Coverage (\$250 deductible)	910,173
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorist (\$1,000 deductible)	1,000,000

Coverage provided by Ohio School Plan is as follows:

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

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

B. Workers' Compensation

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2006

(6) RISK MANAGEMENT (CONTINUED)

C. Health Insurance

The District participates in the Wyandot-Crawford Health Benefit Plan (the "Plan"), a public entity shared risk pool consisting of five school districts. The District pays monthly premiums to the Plan for medical, dental, and life insurance coverage. The plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

(7) STATE SCHOOL FUNDING DECISION

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

(8) SET-ASIDE CALCULATIONS AND FUND 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. The amount set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital maintenance, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set Aside Cash Balance as of June 30, 2006	\$ 18,669	\$ 0	\$ 27,576
Current Year Set-Aside Requirement	130,510	130,510	0
Current Year Offsets	0	(189,228)	0
Qualifying Disbursements	<u>(134,368)</u>	<u>(127,357)</u>	<u>0</u>
Total	<u>\$ 14,811</u>	<u>\$ (186,075)</u>	<u>\$ 27,576</u>
Cash Balance Carried Forward to Fiscal Year 2007	<u>\$ 14,811</u>	<u>\$ 0</u>	<u>\$ 27,576</u>

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(8) SET-ASIDE CALCULATIONS AND FUND RESERVES (CONTINUED)

Although the District has qualifying disbursements during the year that reduced the set-aside requirements below zero for the capital acquisitions reserve, these extra moneys may not be used to reduce the set-aside requirement for future years. The negative amounts are therefore not presented as being carried forward to the next fiscal year. Actual cash balances in excess of required set-aside for textbooks and capital acquisitions may be carried forward to offset the set-aside requirements of future years.

(9) LONG-TERM OBLIGATIONS

The District had no long-term debt obligations outstanding at June 30, 2006.

LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$7,856,680 and an unvoted debt margin of \$87,296.

(10) CONTINGENCIES

A. Grants

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

B. Litigation

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

(11) NONCOMPLIANCE

Contrary to Ohio law, at June 30, 2006 appropriations exceeded estimated resources in the enterprise fund by \$20,136, however, actual expenditures and outstanding encumbrances did not exceed appropriations.

3166 N. Republic Blvd.,
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

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

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

To the Board of Education:

We have audited the financial statements of Carey Exempted Village School District (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006. For the fiscal year ended June 30, 2006, the district prepared its financial report on the basis of accounting in accordance with the standards prescribed by the Auditor of State for governmental entities that are not required to prepare its annual report in accordance with accounting principles generally accepted in the United States of America, and is non-compliant with Ohio Administrative Code Section 117-2-03(B) and thus was issued an adverse opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under Government Auditing Standards which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

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

Rublin/Sussman Group LLP

November 10, 2006
Toledo, Ohio

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

FINDING NUMBER 2006-001

Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equity, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

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

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Revised Code § 5705.39 provides in part that the total appropriation from each fund shall not exceed the estimated revenue available for expenditure therefrom as certified by the county budget commission, or in the case of appeal, by the board of tax appeals.

The Enterprise Fund had appropriations of \$291,505 that exceeded estimated resources of \$271,369 by \$20,136 at June 30, 2006; however, the actual expenditures and outstanding encumbrances were \$269,574.

This resulted in total appropriations exceeding the amended official estimate of resources. In addition, this could allow expenditures to exceed the total available fund balance plus current year receipts which would then result in a negative fund balance. Finally, this weakness results in a loss of accountability over the budgetary process and reduces the effectiveness of monitoring controls.

We recommend that the District review appropriations and estimated resources on a monthly basis and make the necessary revisions to the budget in order to comply with legal budgetary requirements.

Response: The School District will perform the necessary monthly reviews to ensure appropriations do not exceed estimated resources.

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 Wyandot County
 SCHEDULE OF PRIOR AUDIT FINDINGS
 June 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Findings for recovery - Treasurer's Compensation	Yes	On January 9, 2006, the Board of Education retroactively approved the additional compensation.



Mary Taylor, CPA
Auditor of State

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 28, 2007