



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Upper Sandusky Exempted Village School District
Wyandot County
800 North Sandusky Avenue, Suite A
Upper Sandusky, Ohio 43351-1032

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Sandusky Exempted Village School District, Wyandot County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 19, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The management's discussion and analysis of Upper Sandusky Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2013, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- The total net cash position of the District decreased \$973,653 or 20.46% from fiscal year 2012.
- General cash receipts accounted for \$14,023,525 or 81.52% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,179,775 or 18.48% of total governmental activities cash receipts.
- The District had \$18,176,953 in cash disbursements related to governmental activities; \$3,179,775 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$14,023,525 were not adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had cash receipts of \$15,098,315 in 2013. The cash disbursements and other financing uses of the general fund, totaled \$15,891,387 in 2013. The general fund's cash balance decreased \$793,072 or 19.25% from 2012 to 2013.

Using the Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2013?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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(Continued)**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position at June 30, 2013 and June 30, 2012.

	Net Cash Position	
	Governmental Activities 2013	Governmental Activities 2012
<u>Assets</u>		
Current assets	\$ 3,784,337	\$ 4,757,990
<u>Net cash position</u>		
Restricted	\$ 288,643	\$ 437,086
Unrestricted	3,495,694	4,320,904
Total net cash position	\$ 3,784,337	\$ 4,757,990

The total net cash position of the District decreased \$973,653 which represents a 20.46% decrease from fiscal year 2012. The balance of government-wide unrestricted net cash position of \$3,495,694 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The table below shows the changes in net cash position for fiscal years 2013 and 2012.

	Change in Net Cash Position	
	Governmental Activities 2013	Governmental Activities 2012
	<u>2013</u>	<u>2012</u>
Cash receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,379,001	\$ 1,391,675
Operating grants and contributions	<u>1,800,774</u>	<u>2,088,790</u>
Total program cash receipts	<u>3,179,775</u>	<u>3,480,465</u>
General cash receipts:		
Taxes	7,302,724	6,925,413
Payments in lieu of taxes	6,951	27,569
Grants and entitlements	5,976,391	6,151,107
Sale of notes	357,000	357,000
Investment earnings	7,806	7,251
Other	<u>372,653</u>	<u>90,865</u>
Total general cash receipts	<u>14,023,525</u>	<u>13,559,205</u>
Total cash receipts	<u>\$ 17,203,300</u>	<u>\$ 17,039,670</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
Cash disbursements:		
Instruction:		
Regular	\$ 6,779,902	\$ 6,440,934
Special	1,526,427	1,238,720
Vocational	109,767	119,434
Other	1,246,894	1,233,550
Support services:		
Pupil	819,515	1,122,146
Instructional staff	1,242,227	694,326
Board of education	51,064	79,212
Administration	1,505,505	1,471,242
Fiscal	736,587	888,801
Operations and maintenance	1,178,145	1,176,416
Pupil transportation	975,168	867,986
Central	3,701	43,904
Operation of non instructional services	185,106	91,056
Food service operations	714,251	756,275
Extracurricular	614,166	628,907
Debt service:		
Principal retirement	452,780	458,073
Interest and fiscal charges	<u>35,748</u>	<u>32,629</u>
Total cash disbursements	<u>18,176,953</u>	<u>17,343,611</u>
Change in net cash position	(973,653)	(303,941)
Net cash position at beginning of year	<u>4,757,990</u>	<u>5,061,931</u>
Net cash position at end of year	<u>\$ 3,784,337</u>	<u>\$ 4,757,990</u>

Governmental Activities

Governmental cash position decreased by \$973,653 in fiscal year 2013 from fiscal year 2012. Total governmental disbursements of \$18,176,953 were offset by program receipts of \$3,179,775 and general cash receipts of \$14,023,525. Program receipts supported 17.49% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$9,662,990 or 53.16% of total governmental expenditures.

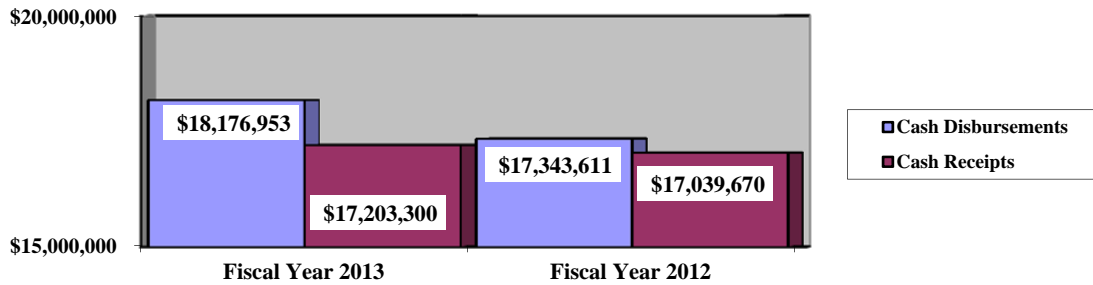
The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 77.19% of total governmental receipts. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2012 and 2013.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

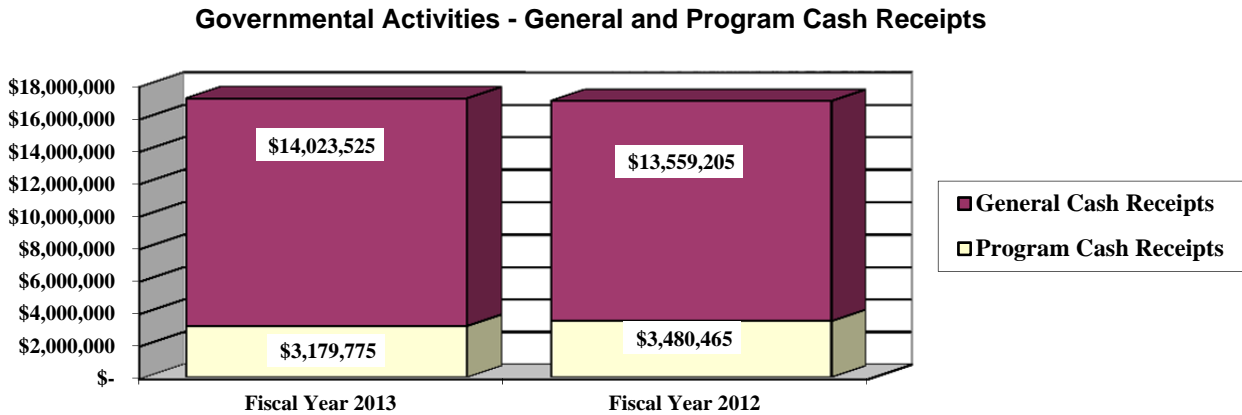
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Cash disbursements:				
Instruction:				
Regular	\$ 6,779,902	\$ 6,006,502	\$ 6,440,934	\$ 5,393,811
Special	1,526,427	632,394	1,238,720	298,934
Vocational	109,767	86,689	119,434	96,356
Other	1,246,894	1,246,894	1,233,550	1,232,789
Support services:				
Pupil	819,515	588,564	1,122,146	958,927
Instructional staff	1,242,227	1,037,982	694,326	468,337
Board of education	51,064	51,064	79,212	79,212
Administration	1,505,505	1,484,359	1,471,242	1,437,352
Fiscal	736,587	734,630	888,801	888,006
Operations and maintenance	1,178,145	1,177,120	1,176,416	1,174,611
Pupil transportation	975,168	948,446	867,986	840,241
Central	3,701	3,701	43,904	43,904
Operation of non instructional services	185,106	98,516	91,056	5,039
Food service operations	714,251	(6,102)	756,275	46,234
Extracurricular	614,166	417,891	628,907	408,691
Debt service:				
Principal retirement	452,780	452,780	458,073	458,073
Interest and fiscal charges	35,748	35,748	32,629	32,629
Total	<u>\$ 18,176,953</u>	<u>\$ 14,997,178</u>	<u>\$ 17,343,611</u>	<u>\$ 13,863,146</u>

The dependence upon general cash receipts for governmental activities is apparent; with 82.51% of cash disbursements supported through taxes and other general cash receipts during 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities cash receipts for fiscal years 2013 and 2012.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund balance of \$3,784,337, which is \$973,653 less than last year's total of \$4,757,990. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and June 30, 2012, for all major and nonmajor governmental funds.

	Fund Cash Balance June 30, 2013	Fund Cash Balance June 30, 2012	(Decrease)
General	\$ 3,326,687	\$ 4,119,759	\$ (793,072)
Other nonmajor governmental funds	457,650	638,231	(180,581)
Total	<u>\$ 3,784,337</u>	<u>\$ 4,757,990</u>	<u>\$ (973,653)</u>

General Fund

The District's major fund is the general fund. The general fund had cash receipts of \$15,098,315 in fiscal year 2013. The cash disbursements and other financing uses of the general fund, totaled \$15,891,387 in fiscal year 2013. The general fund's cash balance decreased \$793,072 or 19.25% from fiscal year 2012 to fiscal year 2013.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

	2013 Amount	2012 Amount	Percentage Change
<u>Cash receipts:</u>			
Taxes	\$ 7,302,724	\$ 6,925,413	5.45 %
Tuition	809,162	740,949	9.21 %
Payments in lieu of taxes	6,951	27,569	(74.79) %
Intergovernmental	6,526,174	6,696,420	(2.54) %
Earnings on investments	7,806	7,251	7.65 %
Other revenues	445,498	174,111	155.87 %
Total	<u>\$ 15,098,315</u>	<u>\$ 14,571,713</u>	3.61 %

Taxes increased \$377,311, primarily due to an increase in income tax collections. Tuition receipts increased \$68,213 as a result of increasing special education tuition receipts. Other revenues increased due to old accounts being closed out and receipted into the General fund. All other revenue remained comparable to fiscal year 2012.

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

	2013 Amount	2012 Amount	Percentage Change
<u>Cash Disbursements</u>			
Instruction	\$ 9,338,238	\$ 8,408,663	11.05 %
Support services	5,886,436	5,838,213	0.83 %
Extracurricular	425,185	415,530	2.32 %
Debt service:			
Principal retirement	95,780	101,073	(5.24) %
Interest and fiscal charges	35,748	32,629	9.56 %
Total	<u>\$ 15,781,387</u>	<u>\$ 14,796,108</u>	6.66 %

Overall, cash disbursements increased \$985,279 primarily due to an increase in instructional disbursements. Instructional disbursements increased primarily due to increases in regular instruction disbursements. All other cash disbursements remained comparable to fiscal year 2012.

Budgeting Highlights - General Fund

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

For the general fund, final budgetary basis receipts and other financing sources of \$14,602,200 were the same as the original budget estimates. Actual cash receipts of \$15,027,689 were more than final budget estimates by \$425,489, due to receiving more taxes than anticipated and not budgeting for the closing of old accounts. The final budgetary basis disbursements and other financing uses of \$18,000,713 were the same as the original budget estimates. The actual budgetary basis disbursements and other financing

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

uses of \$16,052,716 were \$1,947,997 less than the final budget estimates due to spending less on operations and maintenance than anticipated.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2013 and 2012:

	Governmental Activities 2013	Governmental Activities 2012
Energy conservation bonds	\$ 400,000	\$ 455,000
Capital leases	<u>43,626</u>	<u>84,406</u>
Total long-term obligations	<u>\$ 443,626</u>	<u>\$ 539,406</u>

Current Financial Related Activities

A major challenge facing the District is the future of state funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the cash 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 its financial operations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nathan Lynch, Treasurer, Upper Sandusky Exempted Village School District, 800 N. Sandusky Ave., Upper Sandusky, Ohio 43351-1032.

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

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 3,770,919
Beneficial interest in assets held by others	13,418
 Total assets.	 \$ 3,784,337
 Net cash position:	
Restricted for:	
Capital projects	\$ 2,942
Debt service.	4,944
Locally funded programs	685
State funded programs.	14,650
Federally funded programs	97
Student activities	174,050
Other purposes	91,275
Unrestricted	3,495,694
Total net cash position.	\$ 3,784,337

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Cash</u>	<u>Program Receipts</u>		<u>Net (Disbursements)</u>
	<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Receipts and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Cash Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 6,779,902	\$ 698,451	\$ 74,949	\$ (6,006,502)
Special	1,526,427	164,957	729,076	(632,394)
Vocational	109,767	-	23,078	(86,689)
Other	1,246,894	-	-	(1,246,894)
Support services:				
Pupil	819,515	-	230,951	(588,564)
Instructional staff	1,242,227	-	204,245	(1,037,982)
Board of education	51,064	-	-	(51,064)
Administration	1,505,505	17,636	3,510	(1,484,359)
Fiscal	736,587	-	1,957	(734,630)
Operations and maintenance	1,178,145	1,025	-	(1,177,120)
Pupil transportation	975,168	-	26,722	(948,446)
Central	3,701	-	-	(3,701)
Operation of non-instructional services:				
Other non-instructional services	185,106	-	86,590	(98,516)
Food service operations	714,251	337,856	382,497	6,102
Extracurricular activities	614,166	159,076	37,199	(417,891)
Debt Service				
Principal retirement	452,780	-	-	(452,780)
Interest and fiscal charges	35,748	-	-	(35,748)
Total governmental activities	\$ 18,176,953	\$ 1,379,001	\$ 1,800,774	(14,997,178)
 General cash receipts:				
Property taxes levied for:				
General purposes				4,322,998
Income taxes levied for:				
General purposes				2,979,726
Payments in lieu of taxes				6,951
Grants and entitlements not restricted				
to specific programs				5,976,391
Sale of notes				357,000
Investment earnings				7,806
Miscellaneous				372,653
Total general cash receipts				14,023,525
Change in net cash position				(973,653)
Net cash position at beginning of year				4,757,990
Net cash position at end of year				\$ 3,784,337

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 3,326,687	\$ 444,232	\$ 3,770,919
Beneficial interest in assets held by others	-	13,418	13,418
Total assets	\$ 3,326,687	\$ 457,650	\$ 3,784,337
Fund cash balances:			
Restricted:			
Debt service	\$ -	\$ 4,944	\$ 4,944
Capital improvements	-	2,942	2,942
Food service operations	-	77,857	77,857
Non-public schools	-	5,429	5,429
Targeted academic assistance	-	97	97
Other purposes	-	23,324	23,324
Extracurricular	-	174,050	174,050
Committed:			
Capital improvements	-	205,055	205,055
Other purposes	11,000	-	11,000
Assigned:			
Student instruction	155,922	-	155,922
Student and staff support	102,671	-	102,671
Extracurricular activities	2,112	-	2,112
Subsequent year's appropriations	2,171,528	-	2,171,528
School supplies	10,438	-	10,438
Other purposes	9,026	-	9,026
Unassigned (deficit)	863,990	(36,048)	827,942
Total fund cash balances	\$ 3,326,687	\$ 457,650	\$ 3,784,337

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Property taxes	\$ 4,322,998	\$ -	\$ 4,322,998
Income taxes	2,979,726	-	2,979,726
Payment in lieu of taxes	6,951	-	6,951
Tuition	809,162	-	809,162
Earnings on investments	7,806	1,895	9,701
Charges for services	-	322,352	322,352
Extracurricular	2,196	174,580	176,776
Classroom materials and fees	54,246	-	54,246
Other local revenues	389,056	38,647	427,703
Intergovernmental - state	6,526,174	103,053	6,629,227
Intergovernmental - federal	-	1,107,458	1,107,458
Total cash receipts	<u>15,098,315</u>	<u>1,747,985</u>	<u>16,846,300</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	6,722,900	57,002	6,779,902
Special	1,258,677	267,750	1,526,427
Vocational	109,767	-	109,767
Other	1,246,894	-	1,246,894
Support services:			
Pupil	556,775	262,740	819,515
Instructional staff	1,040,141	202,086	1,242,227
Board of education	51,064	-	51,064
Administration	1,502,114	3,391	1,505,505
Fiscal	736,346	241	736,587
Operations and maintenance	1,025,177	152,968	1,178,145
Pupil transportation	971,118	4,050	975,168
Central	3,701	-	3,701
Operation of non-instructional services:			
Operation of non-instructional	-	185,106	185,106
Food service operations	-	714,251	714,251
Extracurricular activities	425,185	188,981	614,166
Debt service:			
Principal retirement	95,780	357,000	452,780
Interest and fiscal charges	35,748	-	35,748
Total cash disbursements	<u>15,781,387</u>	<u>2,395,566</u>	<u>18,176,953</u>
Cash disbursements over cash receipts	<u>(683,072)</u>	<u>(647,581)</u>	<u>(1,330,653)</u>
Other financing sources (uses):			
Sale of notes	-	357,000	357,000
Transfers in	-	110,000	110,000
Transfers (out)	(110,000)	-	(110,000)
Total other financing sources (uses)	<u>(110,000)</u>	<u>467,000</u>	<u>357,000</u>
Net change in cash fund balances	(793,072)	(180,581)	(973,653)
Fund cash balances at beginning of year	4,119,759	638,231	4,757,990
Fund cash balances at end of year	<u>\$ 3,326,687</u>	<u>\$ 457,650</u>	<u>\$ 3,784,337</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 4,175,000	\$ 4,175,000	\$ 4,322,998	\$ 147,998
Income taxes	2,700,000	2,700,000	2,979,726	279,726
Tuition	740,000	740,000	809,162	69,162
Earnings on investments	15,000	15,000	7,806	(7,194)
Classroom materials and fees	2,800	2,800	1,256	(1,544)
Rental income	2,500	2,500	1,025	(1,475)
Contributions and donations	1,500	1,500	8,312	6,812
Other local revenues	130,400	130,400	371,230	240,830
Intergovernmental - state	<u>6,825,000</u>	<u>6,825,000</u>	<u>6,526,174</u>	<u>(298,826)</u>
Total budgetary basis receipts	<u>14,592,200</u>	<u>14,592,200</u>	<u>15,027,689</u>	<u>435,489</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	6,966,146	6,966,146	6,814,373	151,773
Special	1,009,172	1,009,172	1,272,404	(263,232)
Vocational	120,628	120,628	109,773	10,855
Other	1,245,159	1,245,159	1,246,894	(1,735)
Support services:				
Pupil	561,648	561,648	612,970	(51,322)
Instructional staff	1,005,403	1,005,403	1,056,812	(51,409)
Board of education	80,004	80,004	51,064	28,940
Administration	1,540,050	1,540,050	1,496,982	43,068
Fiscal	946,950	946,950	746,437	200,513
Operations and maintenance	2,601,836	2,601,836	1,033,036	1,568,800
Pupil transportation	962,538	962,538	985,802	(23,264)
Central	4,020	4,020	4,016	4
Extracurricular activities	419,683	419,683	427,297	(7,614)
Debt service:				
Principal	80,000	80,000	71,204	8,796
Interest and fiscal charges	20,000	20,000	13,652	6,348
Total budgetary basis disbursements	<u>17,563,237</u>	<u>17,563,237</u>	<u>15,942,716</u>	<u>1,620,521</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(2,971,037)</u>	<u>(2,971,037)</u>	<u>(915,027)</u>	<u>2,056,010</u>
Other financing sources (uses):				
Refund of prior year's expenditures	10,000	10,000	-	(10,000)
Refund of prior year's receipts	(15,000)	(15,000)	-	15,000
Transfers (out)	(222,476)	(222,476)	(110,000)	112,476
Advances (out)	<u>(200,000)</u>	<u>(200,000)</u>	-	<u>200,000</u>
Total other financing sources (uses)	<u>(427,476)</u>	<u>(427,476)</u>	<u>(110,000)</u>	<u>317,476</u>
Net change in budgetary fund balance	(3,398,513)	(3,398,513)	(1,025,027)	2,373,486
Fund cash balance at beginning of year	3,928,319	3,928,319	3,928,319	-
Prior year encumbrances appropriated	132,226	132,226	132,226	-
Fund cash balance at end of year	<u>\$ 662,032</u>	<u>\$ 662,032</u>	<u>\$ 3,035,518</u>	<u>\$ 2,373,486</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 173,467	\$ 43,325
Liabilities:		
Due to students.	-	\$ 43,325
Net cash position:		
Held in trust for scholarships	173,467	
Total net cash position	\$ 173,467	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 151
Gifts and contributions	2,995
Total additions	3,146
Deductions:	
Scholarships awarded	9,845
Change in net cash position	(6,699)
Net cash position at beginning of year . . .	180,166
Net cash position at end of year	\$ 173,467

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1960 through the consolidation of existing land areas and school districts. The District serves an area of approximately 300 square miles. It is located in Wyandot, Marion and Crawford Counties and includes the entire City of Upper Sandusky. The District is staffed by 86 non-certified employees and 137 certified full-time teaching personnel who provide services to 1,698 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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 service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association (TRECA)

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of various 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 of 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 Scott Armstrong, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Vanguard-Sentinel Career and Technology Centers

The Vanguard-Sentinel Career and Technology Centers (VSCTC) is a political subdivision of the State of Ohio, which provides vocational education for students. The VSCTC is operated under direction of a Board consisting of one representative from the District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The VSCTC possesses its own budgeting and taxing authority. Financial information can be obtained from Alan Binger, Vanguard-Sentinel Career and Technology Centers, at 1306 Cedar Street, Fremont, Ohio 43420.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

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

The Program's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

Wyandot-Crawford Health Benefit Plan

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

Each school district decides which benefit programs offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Kristin Bowman, Service Representative, Medical Mutual, P.O. Box 943, Toledo, Ohio 43656.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED ORGANIZATION

Upper Sandusky Community Public Library

The Upper Sandusky Community Public Library (the "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 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 District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to administrative functions. 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 John Lyon, Clerk/Treasurer, 310 North Sandusky Avenue, Upper Sandusky, Ohio 43351.

B. Basis of Accounting

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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statement are due to current year encumbrances being added to disbursements reported on the budgetary statement. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Fund Accounting

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

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to disbursements for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. 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 only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities.

D. Basis of Presentation

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

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

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

E. Budgets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the District Treasurer. Although the legal level of budgetary control was established at the fund level of disbursements for the general fund, the District has elected to present its respective budgetary statement comparison at the fund and function level of disbursements.

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

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

F. Cash and Investments

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

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposit, federal agency securities, a U.S. Government money market fund and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$7,806, which includes \$1,363 assigned from other funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The beneficial interest in assets held by others is monies held by the Toledo Community Foundation as of fiscal year end in the District's name. The deposits provide the District with interest payments each quarter.

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.

G. Restricted Assets

Assets are reported as restricted net position when limitations on their use change normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any net cash position restricted by enabling legislation at year-end.

H. Capital Assets

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

I. Inventory and Prepaid Items

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

J. Unpaid Vacation and Sick Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses 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. Interfund activity between governmental funds is eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

N. Net Cash Position

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

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Stabilization Arrangement

The Board of Education has \$151,993 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

R. Parochial School

Within the 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 District, as directed by the parochial school. The receipt and disbursement of these State monies by the District are reflected as a special revenue fund for financial reporting purposes.

S. Endowment

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the District.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Cash Balances

Fund cash balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Title VI-B	\$ 5,585
Title I	30,463

C. Compliance

Ohio Administrative Code, Section 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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

Protection of the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$3,125 in undeposited cash on hand which is included as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$2,217,797. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$1,348,515 of the District's bank balance of \$2,494,916 was exposed to custodial risk as discussed below, while \$1,146,401 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments.

C. Investments

As of June 30, 2013, the District had the following investments and maturities:

Investment type	Carrying Value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 124,736	\$ -	\$ 24,983	\$ -	\$ 49,753	\$ 50,000
FHLMC	99,572	-	49,872	-	49,700	-
FNMA	274,641	-	-	-	-	274,641
STAR Ohio	1,265,537	1,265,537	-	-	-	-
U.S. Government money market mutual fund	2,303	2,303	-	-	-	-
	<u>\$ 1,766,789</u>	<u>\$ 1,267,840</u>	<u>\$ 74,855</u>	<u>\$ -</u>	<u>\$ 99,453</u>	<u>\$ 324,641</u>

The weighted average maturity of investments is .76 years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and U.S. Government money market mutual fund carry a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District has no policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Carrying value</u>	<u>% of total</u>
FHLB	\$ 124,736	7.06
FHLMC	99,572	5.64
FNMA	274,641	15.54
STAR Ohio	1,265,537	71.63
U.S. Government money market mutual fund	<u>2,303</u>	<u>0.13</u>
Total investments	<u>\$ 1,766,789</u>	<u>100.00</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

D. Reconciliation of Cash to the Statement of Net Cash Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2013:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 2,217,797
Investments	1,766,789
Beneficial interest in assets held by others	13,418
Cash on hand	3,125
Total	<u>\$ 4,001,129</u>
 <u>Cash per statement of net cash position</u>	
Governmental activities	\$ 3,784,337
Private-purpose trust	173,467
Agency fund	43,325
Total	<u>\$ 4,001,129</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2013 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 110,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

6. PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wyandot, Marion, and Crawford Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 223,194,590	96.40	\$ 224,611,850	96.21
Public utility personal	<u>8,334,950</u>	<u>3.60</u>	<u>8,838,820</u>	<u>3.79</u>
Total	<u>\$ 231,529,540</u>	<u>100.00</u>	<u>\$ 233,450,670</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$33.70		\$33.70

7. INCOME TAXES

On November 8, 2005, the District voters passed a .75% income tax levy for current expenses on the income of individuals and estates. On May 5, 2009 the District voters renewed the .75% income tax levy and passed a .50% increase for a total levy of 1.25%. The tax was effective on January 1, 2011, 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 District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. NOTES PAYABLE

The changes in the District's notes payable during fiscal year 2013 were as follows:

	Balance Outstanding June 30, 2012	Additions	Reductions	Balance Outstanding June 30, 2013
Governmental activities:				
Energy note - 2012	\$ 357,000	\$ -	\$ (357,000)	\$ -
Energy note - 2013	<u>-</u>	<u>357,000</u>	<u>-</u>	<u>357,000</u>
Total governmental activities	<u>\$ 357,000</u>	<u>\$ 357,000</u>	<u>\$ (357,000)</u>	<u>\$ 357,000</u>

On June 1, 2005, the District issued a short-term energy conservation improvement bond anticipation note in the amount of \$357,000. All note proceeds were spent in fiscal year 2005. On June 1, 2006, 2007, 2008, 2009, 2010, 2011 and 2012, the note was rolled-over at 4.50%, 4.50%, 2.75%, 2.50%, 3.00%, 1.00% and 0.85%, respectively. On June 1, 2013, the note was rolled-over again at 1.00%. The bond anticipation note is backed in full faith and credit of the District and matures within one year.

9. LONG-TERM OBLIGATIONS

During the fiscal year 2013, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2012	Additions	Reductions	Balance Outstanding June 30, 2013	Amounts Due in One Year
Governmental activities:					
Energy conservation bonds	\$ 455,000	\$ -	\$ (55,000)	\$ 400,000	\$ 60,000
Capital leases	<u>84,406</u>	<u>-</u>	<u>(40,780)</u>	<u>43,626</u>	<u>43,626</u>
Total governmental activities	<u>\$ 539,406</u>	<u>\$ -</u>	<u>\$ (95,780)</u>	<u>\$ 443,626</u>	<u>\$ 103,626</u>

Energy conservation improvement bonds totaling \$850,000 were issued on July 28, 2004, to provide for energy conservation measures for the District. The bonds were issued with a variable interest rate ranging from 2-5%, for a fifteen-year period, with final maturity in fiscal year 2019.

Principal and interest requirements to retire the energy conservation bonds at June 30, 2013, are as follows:

Fiscal Year Ended	Principal	Interest	Total
2014	\$ 60,000	\$ 18,933	\$ 78,933
2015	60,000	16,263	76,263
2016	65,000	12,810	77,810
2017	70,000	10,159	80,159
2018	70,000	7,033	77,033
2019	<u>75,000</u>	<u>3,712</u>	<u>78,712</u>
Total	<u>\$ 400,000</u>	<u>\$ 68,910</u>	<u>\$ 468,910</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

The capital lease obligation is discussed in Note 10.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$21,015,504 (including available funds of \$4,944) and an unvoted debt margin of \$233,451.

10. CAPITAL LEASES

The District leases computers under noncancelable leases. The District refinances its computer lease on an annual basis. The lease is typically for a period of 36 months. The District disbursed \$40,780 to pay lease costs for the fiscal year ended June 30, 2013. Future lease payments are as follows:

Year	Amount
2014	\$ 46,671
Amount representing interest	(3,045)
Principal outstanding	<u>\$ 43,626</u>

11. RISK MANAGEMENT (Continued)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted with various companies for the following insurance coverage:

Buildings and contents - replacement cost	\$ 36,177,247
Automobile liability	3,000,000
General liability:	
Per occurrence	3,000,000
Aggregate	5,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. RISK MANAGEMENT (Continued)

OSBA Workers' Compensation Group Rating Program - The District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan, as defined in Ohio Revised Code Section 4123.29. The GRP 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 of the GRP 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 GRP 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 GRP plan. Participation in the GRP plan is limited to school districts that can meet the GRP plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP plan.

Wyandot-Crawford Health Benefit Plan - Beginning in fiscal year 1997, the 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 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.

12. PENSION PLANS

A. School Employees Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$239,472, \$241,271 and \$227,636, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. PENSION PLANS (Continued)

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$928,880, \$912,307 and \$897,126, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$30,146, \$37,177 and \$53,729, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$13,527, \$14,248 and \$14,649, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$71,452, \$70,177 and \$69,010, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. 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.

15. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash) and some funds are included in the general fund on the cash basis, but not on the budgetary basis.

The following table summarized the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Cash Balance	
	<u>General</u>
Cash basis	\$ (793,072)
Adjustment for encumbrances	(238,021)
Funds budgeted elsewhere**	<u>6,066</u>
Budget basis	<u>\$ (1,025,027)</u>

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis.

16. SET ASIDES

The District is required by State law to annually set-aside certain general fund receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. SET ASIDES (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	289,270
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(475,385)
Excess qualified expenditures from prior years	-
Current year offsets	(100,000)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (286,115)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

17. OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
General fund	\$ 242,160
Nonmajor governmental funds	<u>111,842</u>
Total	<u>\$ 354,002</u>

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	\$ 49,106	\$ 49,106
Cash Assistance	10.555	314,392	314,392
Total National School Lunch Program		<u>363,498</u>	<u>363,498</u>
School Breakfast Program	10.553	<u>60,635</u>	<u>60,635</u>
Total U.S. Department of Agriculture - Nutrition Cluster		<u>424,133</u>	<u>424,133</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education Grants to States	84.027	461,959	477,225
Special Education Preschool Grants	84.173	8,723	8,723
Total Special Education Cluster		<u>470,682</u>	<u>485,948</u>
Title I Grants to Local Educational Agencies	84.010	180,241	218,380
English Language Acquisition Grants	84.365	5,999	5,999
Improving Teacher Quality State Grants	84.367	38,976	39,659
Education Jobs Fund	84.410	<u>36,532</u>	<u>49,104</u>
Total U. S. Department of Education		<u>732,430</u>	<u>799,090</u>
Totals		<u><u>\$ 1,156,563</u></u>	<u><u>\$ 1,223,223</u></u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the Schedule) reports Upper Sandusky Exempted Village School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends Federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Upper Sandusky Exempted Village School District
Wyandot County
800 North Sandusky Avenue, Suite A
Upper Sandusky, Ohio 43351-1032

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 19, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Upper Sandusky Exempted Village School District
Wyandot County
800 North Sandusky Avenue, Suite A
Upper Sandusky, Ohio 43351-1032

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Upper Sandusky Exempted Village School District's, Wyandot County, Ohio (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Upper Sandusky Exempted Village School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Upper Sandusky Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 19, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Revised Code, § 117.38, provides that each public office, other than a state agency, 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 (B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials' Response:

The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interests of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2013 and made the decision that the significant dollars saved, outweighed the benefit received.

3. FINDINGS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Not Corrected. Repeated in this report as finding 2013-001.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Upper Sandusky Exempted Village School District
Wyandot County
800 North Sandusky Avenue, Suite A
Upper Sandusky, Ohio 43351-1032

To the Board of Education:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on December 17, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 19, 2013

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Dave Yost • Auditor of State

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 11, 2014