

**Upper Sandusky Exempted Village
School District**

Wyandot County, Ohio

Financial Statements

June 30, 2004





**Auditor of State
Betty Montgomery**

Board of Education
Upper Sandusky Exempted Village School District
390 W. Walker St.
Upper Sandusky, OH 43351

We have reviewed the Independent Auditor's Report of the Upper Sandusky Exempted Village School District, Wyandot County, prepared by Kennedy, Cottrell & Associates, LLC, for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

January 27, 2005

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

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Upper Sandusky Exempted Village School District
Wyandot County
Independent Auditor's Report
Page 2

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
Columbus, Ohio
December 29, 2004

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

As management of the Upper Sandusky Exempted Village School District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$6.3 million (net assets). Of this amount, \$1.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's net assets decreased by \$474,470, or 7%. Program revenues accounted for \$2.1 million, or 15% of total revenues, and general revenues accounted for \$11.9 million, or 85%.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2.8 million, a decrease of \$96,667 in comparison with the prior year. Of this total amount, \$1.7 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1.1 million, or 9% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 14-15 of this report.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

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. The District has no proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is the District's only major fund. Data from the other 29 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6.3 million at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (61 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1.9 million) may be used to meet the government's ongoing obligations to citizens and creditors.

	District Net Assets	
	2003	2004
Current Assets	\$ 8,979,931	\$ 8,650,757
Capital Assets	4,240,279	3,997,374
Total Assets	13,220,210	12,648,131
Current Liabilities	6,029,111	5,843,669
Long-Term Liabilities	407,134	494,967
Total Liabilities	6,436,245	6,338,636
Net Assets:		
Invested in Capital Assets, net of related debt	4,118,982	3,840,869
Restricted	532,377	576,563
Unrestricted	2,132,606	1,892,063
Total Net Assets	\$ 6,783,965	\$ 6,309,495

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

Governmental Activities

The District's net assets decreased by \$474,470, or 7%. Key elements of this increase are as follows:

	2003	2004
Changes in Net Assets		
Governmental Activities		
Revenues:		
Program Revenues		
Charges for Services	\$ 643,213	\$ 1,074,438
Operating Grants	<u>787,816</u>	<u>1,004,228</u>
Total Program Revenues	1,431,029	2,078,666
General Revenues		
Taxes	5,859,755	6,196,946
Grants and Entitlements	5,245,971	4,981,033
Other Revenue	<u>792,477</u>	<u>730,581</u>
Total General Revenue	<u>11,898,203</u>	<u>11,908,560</u>
Total Revenues	<u>13,329,232</u>	<u>13,987,226</u>
Expenses:		
Program Expenses		
Instruction	6,931,421	7,830,313
Support Services	4,845,684	5,342,244
Non-Instructional	730,914	696,196
Extra Curricular Activities	472,814	560,880
Interest and Fiscal Charges	12,199	6,303
Miscellaneous	<u>27,043</u>	<u>25,760</u>
Total Expenses	<u>13,020,075</u>	<u>14,461,696</u>
Changes in Net Assets	<u>\$ 309,157</u>	<u>\$ (474,470)</u>

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. The net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted state entitlements.

	Total Cost of Services 2004	Net Cost of Services 2004
Program Expenses		
Instruction		
Regular	\$ 6,283,648	\$ 5,860,124
Special	1,067,720	778,735
Vocational	134,802	112,698
Adult/Continuing Inst	24,383	(2,885)
Other	319,760	312,194
Support Services		
Pupil	698,146	587,169
Instructional Staff	530,120	369,214
Board of Education	73,101	73,101
Administration	1,261,139	1,197,936
Fiscal Services	635,206	635,206
Maintenance	1,319,031	1,319,031
Pupil Transportation	791,329	790,348
Central	34,172	34,172
Noninstructional Activities	696,196	(47,020)
Extracurricular Activities	560,880	330,944
Interest and Fiscal Charges	6,303	6,303
Miscellaneous	25,760	25,760
Total Expense	<u>\$ 14,461,696</u>	<u>\$ 12,383,030</u>

The District's reliance on general revenues is indicated by the net cost of services column reflecting the need for \$12.4 million of support. Furthermore, as noted on the preceding page, general revenues comprise 85% of the District's total revenues.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

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 focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2.8 million, a decrease of \$96,667 in comparison with the prior year. Approximately 59% of this amount (\$1.7 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$236,824) or for a variety of other restricted purposes (\$915,097).

The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$ 2,121,823	\$ 2,348,370	\$ (226,547)
Other Governmental	713,864	583,984	129,880
Total	\$ 2,835,687	\$ 2,932,354	\$ (96,667)

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.1 million, while total fund balance reached \$2.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9% of total general fund expenditures, while total fund balance represents 17% of that same amount.

The fund balance of the District's general fund remained intact during the current fiscal year, decreasing by \$209,141. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)

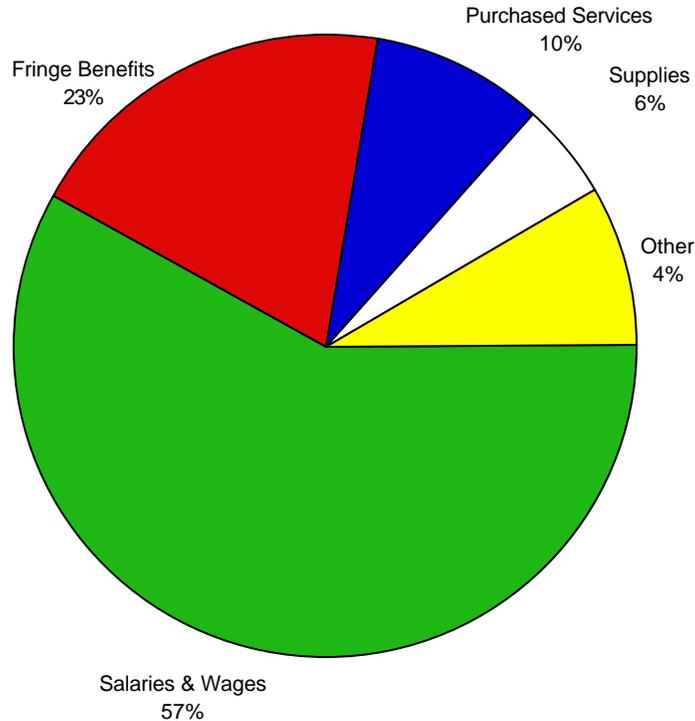
General Fund Revenue Comparative Analysis

<i>Revenues</i>	<i>2004 Amount</i>	<i>2003 Amount</i>	<i>Percentage Change</i>
General Taxes	\$6,196,946	\$5,859,755	5.75%
Intergovernmental	5,766,691	5,642,946	2.19%
Other	<u>310,858</u>	<u>393,277</u>	-20.96%
Total	<u>\$12,274,495</u>	<u>\$11,895,978</u>	3.18%

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits. The District is a service entity and as such is labor intensive.



	2004	2003	Change	Percent
	Amount	Amount		Change
Expenditures by Object:				
Salaries and Wages	\$ 6,974,921	\$ 6,736,805	\$ 238,116	3.53%
Fringe Benefits	2,693,826	2,315,055	378,771	16.36%
Purchased Services	1,530,096	1,013,102	516,994	51.03%
Supplies	696,551	577,261	119,290	20.66%
Capital Outlay	287,670	541,409	(253,739)	-46.87%
Miscellaneous	387,520	439,717	(52,197)	-11.87%
Total	\$ 12,570,584	\$ 11,623,349	\$ 947,235	8.15%

The fringe benefits increase was the result of an increase in the District's share of retirement, which correlates with the salaries and wages increase, coupled with an increase in employee insurance premiums. The purchased services increase was due to the District reclassifying tuition paid to other District's as an expenditure in fiscal year 2004, rather than a reduction in revenues.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The original appropriation measure for the general fund exceeded the final amended appropriation measure by \$186,736, or 1.5%, and the final amended revenue estimate exceeded the original estimate by \$124,615, or 1%. The District's actual general fund revenues exceeded the final amended revenue estimate by \$19,156, or less than 1%, and final budgetary expenditures exceeded the final amended appropriation by \$465,628, or 3.6%.

Capital Assets

The District's investment in capital assets as of June 30, 2004, amounts to \$4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, fixtures and equipment, vehicles, and land improvements. Total acquisitions for the current fiscal year were \$ 277,973 and depreciation was \$ 495,568. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 8).

Debt

At June 30, 2004, the District had \$26,500 in outstanding notes payable of which the District paid \$7,936 in principal during the fiscal year. Detailed information regarding long-term debt is included in the notes to the basic financial statements (Note 14).

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At June 30, 2004, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

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

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,838,115
Cash with Fiscal Agent	159
Investments	77,966
Receivables:	
Property Taxes	5,085,440
Income Taxes	311,489
Intergovernmental	113,642
Material and Supply Inventory	49,142
Restricted Cash	151,993
Prepaid Items	22,811
Capital Assets, Net	<u>3,997,374</u>
Total Assets	<u>12,648,131</u>
 Liabilities	
Accounts Payable	51,749
Accrued Wages and Benefits	953,681
Intergovernmental Payable	365,318
Deferred Revenue	4,472,921
Long-Term Liabilities	
Due within One Year	158,358
Due in More Than One Year	<u>336,609</u>
Total Liabilities	<u>6,338,636</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	3,840,869
Restricted for:	
Capital Projects	271,228
Other Purposes	305,335
Unrestricted	<u>1,892,063</u>
Total Net Assets	<u>\$ 6,309,495</u>

See accompanying notes to the financial statements

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction				
Regular	\$ 6,283,648	\$ 268,824	\$ 154,700	\$ (5,860,124)
Special	1,067,720	84,734	204,251	(778,735)
Vocational	134,802	22,104	-	(112,698)
Adult/Continuing	24,383	-	27,268	2,885
Other Instruction	319,760	-	7,566	(312,194)
Support Services				
Pupils	698,146	-	110,977	(587,169)
Instructional Staff	530,120	-	160,906	(369,214)
Board of Education	73,101	-	-	(73,101)
Administration	1,261,139	24,937	38,266	(1,197,936)
Fiscal Services	635,206	-	-	(635,206)
Maintenance	1,319,031	-	-	(1,319,031)
Pupil Transportation	791,329	-	981	(790,348)
Central	34,172	-	-	(34,172)
Non-instructional Services	696,196	443,903	299,313	47,020
Extra Curricular Activities	560,880	229,936	-	(330,944)
Interest and Fiscal Charges	6,303	-	-	(6,303)
Miscellaneous	25,760	-	-	(25,760)
Total Governmental Activities	\$ 14,461,696	\$ 1,074,438	\$ 1,004,228	\$ (12,383,030)

General Revenues	
Property Taxes Levied for General Purposes	5,310,134
Income Taxes	886,812
Grants & Entitlements not Restricted to Specific Programs	4,981,033
Payment in Lieu of Taxes	612,079
Investment Earnings	38,241
Miscellaneous	80,261
Total General Revenues	11,908,560
Change in Net Assets	(474,470)
Net Assets Beginning of Year, as restated	6,783,965
Net Assets End of Year	\$ 6,309,495

See accompanying notes to the financial statements

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,094,507	\$ 743,608	\$ 2,838,115
Cash with Fiscal Agent	-	159	159
Investments	-	77,966	77,966
Receivables:			
Property Taxes	5,085,440	-	5,085,440
Income Taxes	311,489	-	311,489
Intergovernmental	15,755	97,887	113,642
Supplies Inventory	40,084	9,058	49,142
Prepaid Items	22,811	-	22,811
Interfund Receivable	55,907	-	55,907
Restricted Cash and Cash Equivalents	151,993	-	151,993
Total Assets	<u>7,777,986</u>	<u>928,678</u>	<u>8,706,664</u>
Liabilities:			
Accounts Payable	21,825	29,924	51,749
Accrued Wages and Benefits Payable	881,995	71,686	953,681
Intergovernmental Payable	230,330	15,055	245,385
Interfund Payable	-	55,907	55,907
Deferred Revenue	4,472,921	42,242	4,515,163
Compensated Absences Payable	49,092	-	49,092
Total Liabilities	<u>5,656,163</u>	<u>214,814</u>	<u>5,870,977</u>
Fund Balances:			
Reserved			
Encumbrances	187,213	49,611	236,824
Budget Stabilization	151,993	-	151,993
Prepays	22,811	-	22,811
Inventory	40,084	9,058	49,142
Endowments	-	78,632	78,632
Property Taxes	612,519	-	612,519
Unreserved, Reported in:			
General Fund	1,107,203	-	1,107,203
Special Revenue Funds	-	305,335	305,335
Capital Project Funds	-	271,228	271,228
Total Fund Balances	<u>2,121,823</u>	<u>713,864</u>	<u>2,835,687</u>
Total Liabilities and Fund Balances	<u>\$ 7,777,986</u>	<u>\$ 928,678</u>	<u>\$ 8,706,664</u>

See accompanying notes to the financial statements

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2004**

Total Governmental Fund Balances	\$ 2,835,687
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,997,374
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	42,242
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
	Intergovernmental Payable (119,933)
	Compensated Absences (289,370)
	General Obligation Debt (156,505)
	<u>(565,808)</u>
Net Assets of Governmental Activities	<u>\$ 6,309,495</u>

See accompanying notes to the financial statements

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 5,310,134	\$ -	\$ 5,310,134
Income Taxes	886,812	-	886,812
Intergovernmental	5,381,839	1,020,022	6,401,861
Interest	34,909	3,332	38,241
Tuition and Fees	384,852	34,446	419,298
Extracurricular Activities	-	211,327	211,327
Food Service	-	394,786	394,786
Other Revenues	275,949	57,338	333,287
Total Revenues	<u>12,274,495</u>	<u>1,721,251</u>	<u>13,995,746</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,882,696	164,075	6,046,771
Special	886,331	191,354	1,077,685
Vocational	139,147	-	139,147
Adult/Continuing	-	24,307	24,307
Other	308,038	11,722	319,760
Support services:			
Pupils	586,448	108,711	695,159
Instructional staff	353,703	158,144	511,847
Board of Education	73,031	-	73,031
Administration	1,211,903	59,187	1,271,090
Fiscal	636,807	-	636,807
Operation and Maintenance of Plant	1,245,687	-	1,245,687
Pupil Transportation	719,416	965	720,381
Central	30,961	-	30,961
Non-instructional Services	-	684,481	684,481
Extracurricular Activities	346,871	201,349	548,220
Capital Outlay	89,000	30,431	119,431
Debt service:			
Principal Retirement	54,242	-	54,242
Interest and Fiscal Charges	6,303	-	6,303
Total Expenditures	<u>12,570,584</u>	<u>1,634,726</u>	<u>14,205,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(296,089)</u>	<u>86,525</u>	<u>(209,564)</u>
Other financing sources (uses):			
Donated Commodities	-	36,852	36,852
Proceeds from Inception of Capital Leases	89,000	-	89,000
Transfers In	-	2,052	2,052
Transfers Out	(2,052)	-	(2,052)
Total other financing sources (uses)	<u>86,948</u>	<u>38,904</u>	<u>125,852</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(209,141)</u>	<u>125,429</u>	<u>(83,712)</u>
Fund Balance at Beginning of Year, as restated	2,348,370	583,984	2,932,354
Change in Reserve for Inventory	(17,406)	4,451	(12,955)
Fund Balance at End of Year	<u>\$ 2,121,823</u>	<u>\$ 713,864</u>	<u>\$ 2,835,687</u>

See accompanying notes to the financial statements

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds	\$ (83,712)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(243,355)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(45,372)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	54,242
Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(156,273)</u>
Change in Net Assets of Governmental Activities	<u>(\$474,470)</u>

See accompanying notes to the financial statements

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE OVER/(UNDER)
Total Revenues	<u>\$ 12,095,133</u>	<u>\$ 12,219,748</u>	<u>\$ 12,238,904</u>	<u>\$ 19,156</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,576,648	5,602,321	5,937,639	335,318
Special	769,857	777,388	889,264	111,876
Vocational	145,146	109,742	142,100	32,358
Other	158,000	282,094	268,170	(13,924)
Support Services:				
Pupils	570,870	625,350	625,350	-
Instructional Staff	386,705	373,602	373,602	-
Board of Education	53,245	70,923	70,923	-
Administration	1,236,433	1,245,844	1,245,844	-
Fiscal	671,837	658,417	658,417	-
Operations of Maintenance of Plant	1,424,879	1,373,465	1,373,465	-
Pupil Transportation	731,372	767,907	767,907	-
Central	30,807	33,064	33,064	-
Noninstructional Services	226	-	-	-
Extracurricular Activities	280,718	343,924	343,924	-
Debt Service:				
Principal Retirement	7,936	7,936	7,936	-
Interest and Fiscal Charges	1,746	1,746	1,746	-
Total Expenditures	<u>12,046,425</u>	<u>12,273,723</u>	<u>12,739,351</u>	<u>465,628</u>
Excess of Revenues Over (Under) Expenditures	<u>48,708</u>	<u>(53,975)</u>	<u>(500,447)</u>	<u>(446,472)</u>
Other Financing Sources (Uses):				
Transfers -Out	(461,993)	(2,052)	(2,052)	-
Advances - Out	(10,000)	(55,907)	(55,907)	-
Total Other Financing Sources (Uses)	<u>(471,993)</u>	<u>(57,959)</u>	<u>(57,959)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(423,285)</u>	<u>(111,934)</u>	<u>(558,406)</u>	<u>(446,472)</u>
Fund Balances at Beginning of Year	2,108,747	2,108,747	2,108,747	-
Prior Year Encumbrances Appropriated	484,991	484,991	484,991	-
Fund Balances at End of Year	<u>\$ 2,170,453</u>	<u>\$ 2,481,804</u>	<u>\$ 2,035,332</u>	<u>\$ (446,472)</u>

See accompanying notes to the financial statements

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2004

	Agency Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 56,241
Total Assets	<u>56,241</u>
Liabilities:	
Accounts Payable	10,090
Due to Students	<u>46,151</u>
Total Liabilities	<u>\$ 56,241</u>

See accompanying notes to the financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately three hundred square miles. It is located in Wyandot, Marion, and Crawford Counties, and includes all of the City of Upper Sandusky. It is staffed by 74 classified employees, 118 certified full-time teaching personnel, and twelve administrative employees who provide services to approximately 1,809 students and other community members. The School District currently operates five instructional buildings and one bus garage.

Reporting Entity

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

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

The School District's reporting entity includes the following:

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

The School District is associated with two jointly governed organizations, two insurance pools, and a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Vanguard-Sentinel Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Wyandot-Crawford Health Benefit Plan, and the Upper Sandusky Community Public Library. Information about these organizations is presented in Notes 16, 17, and 18 to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Upper Sandusky Exempted Village School District have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

Major Governmental Fund:

General Fund

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

Additionally, the District reports the following fund type:

Fiduciary Funds

Fiduciary funds are used to report assets held by the School District in a trustee or agency capacity for others and therefore cannot be used to support the School District's own programs. These include pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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.

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when sources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local sources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2004, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2005 operations, have been recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense. Revenues are recognized as donated commodities are received.

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

D. Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund's portion of this pool is displayed in the financial statements as cash and cash equivalents. Monies for all funds are maintained in this account or are temporarily used to purchase short-term investments. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and certificates of deposit. STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

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

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

E. Restricted Assets and Reserve for Set-Asides

Restricted assets in the general fund represent cash and cash equivalents for which use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District.

F. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market using the first-in, first-out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory consists of expendable supplies held for consumption and food inventory held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Capital Assets and Depreciation

Capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Buildings and improvements are charged a full year of depreciation in the year of acquisition or the year the asset is placed into service. Depreciation for furniture, fixtures and equipment, vehicles, and land improvements will begin in the month of acquisition. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	not depreciated
Land Improvements	10 - 25
Buildings & Improvements	20 - 50
Furniture and Equipment	5 - 20
Vehicles	5 - 15

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when all applicable eligibility requirements have been met and the resources are available.

The School District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-major Governmental Funds

Non-Reimbursable Grants

- Auxiliary Services
- Local Professional Development Block Grant
- Education Management Information Systems
- Network Connectivity
- School Net Professional Development
- Ohio Reads Grant
- Student Intervention
- Adult Basic Literacy Education
- Title I
- Title VI-B IDEA
- Title V
- Title VI
- Title II-A
- Title II-D

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Safe and Drug Free Schools Grant

Reimbursable Grants

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 46 percent of the School District's operating revenue during the 2004 fiscal year.

J. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. On the fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets.

K. Compensated Absences

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

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

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported in the entity-wide financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

M. Fund Balance Reserves

Reservations of fund balances are established to identify assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for specific future use. Fund balances have been reserved for encumbrances, prepaid assets, inventories of materials and supplies, property tax revenue, and, if applicable, statutory set-asides.

N. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of United States generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

GAAP Basis	\$ (209,141)
Revenue Accruals	(78,822)
Expenditure Accruals	42,401
Advances	(12,676)
Encumbrances	(211,168)
Inception of Capital Lease	<u>(89,000)</u>
Budget Basis	<u><u>\$ (558,406)</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Cash on Hand

At fiscal year-end, the School District has \$159 in cash with fiscal agent held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent".

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

Deposits

At fiscal year-end, the carrying amount of the School District's deposits was \$1,246,972, which includes \$300 of cash on hand and \$77,966 in non-negotiable certificates of deposit, and the bank balance was \$1,237,909. Of the bank balance, \$277,966 was covered by federal deposit insurance and the remaining \$959,943 was uninsured and uncollateralized.

Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institutions name, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the District, or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department, but not in the District's name.

At June 30, 2004, the District's only investment was STAR Ohio having a carrying and fair value of \$1,877,343. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District had no investments required to be categorized at year-end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,046,508	\$ 77,966
Investments which are part of		
STAROhio	(1,877,343)	1,877,343
Certificates of deposit with original		
maturities greater than ninety days	77,966	(77,966)
Cash with fiscal and escrow agents	(159)	0
GASB Statement No. 3	<u>\$ 1,246,972</u>	<u>\$ 1,877,343</u>

NOTE 5 - PROPERTY TAXES

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

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 5 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2004 taxes were collected are as follows:

	Calendar Year 2003 Second Half Collections		Calendar Year 2004 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 136,875,640	60.74%	\$ 140,927,440	62.01%
Real Property - Commercial / Industrial	32,818,740	14.56%	33,991,230	14.96%
Real Property - Public Utilities	181,850	0.08%	188,410	0.08%
Personal Property - General	47,065,100	20.88%	43,379,380	19.09%
Personal Property - Public Utilities	8,418,840	3.74%	8,769,360	3.86%
Total Assessed Values	<u>\$ 225,360,170</u>	<u>100.00%</u>	<u>\$ 227,255,820</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation		 \$ 35.30		 \$ 35.30

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

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

The School District receives property taxes from Wyandot, Marion and Crawford Counties. The Counties' Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility property taxes, which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$ 612,519 in the General Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 6 - INCOME TAXES

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of property and income taxes, accounts (student fees and billings for user charged services), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2004, follows:

<u>Class</u>	<u>Balance 6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2004</u>
Non-depreciated Assets:				
Land	129,647	-	-	129,647
Capital assets, being depreciated:				
Buildings and Improvements	6,431,192	33,378		6,464,570
Furniture and Equipment	4,081,594	192,314	(185,972)	4,087,936
Books	1,366,833	-	(5,112)	1,361,721
Vehicles	1,675,094	52,281	-	1,727,375
Total Governmental Fixed Assets	13,684,360	277,973	(191,084)	13,771,249
Less Accumulated Depreciation	(9,443,631)	(495,568)	165,324	(9,773,875)
Capital Assets, Net	4,240,729	(217,595)	(25,760)	3,997,374

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation Expense was charged to governmental functions as follows:

Instruction	
Regular	188,888
Special	5,604
Adult/Continuing	40
Support Services	
Pupils	26,016
Instructional Staff	15,838
Administration	18,164
Fiscal Services	4,416
Operation and Maintenance	85,207
Pupil Transportation	122,534
Central	160
Noninstructional Services	19,738
Extracurricular Activities	8,963
	<u>495,568</u>

NOTE 9 - RISK MANAGEMENT

A. General Risk

The School District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following coverages:

Building and Contents - replacement cost (\$2,500 deductible)	\$ 32,738,600
Inland Marine Coverage (\$500 deductible)	500,000
Boiler and Machinery (\$2,500 deductible)	27,798,786
Automobile Liability (\$500 deductible)	2,000,000
Uninsured Motorists (\$500 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 9 - RISK MANAGEMENT (continued)

B. Insurance Purchasing Pools

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$264,562, \$243,401, and \$209,376, respectively. 50 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Of the unpaid contributions totaling \$124,260, \$41,420 is recorded as a fund liability on the balance sheet with the entire amount recorded as a liability on the entity-wide statement of net assets.

State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2002 Comprehensive Annual Financial Report can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090

Plan Options - Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of 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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Chapter 3307 of the Revised Code provides the statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2004, were 9.3 percent of covered payroll for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$947,150, \$895,438, and \$792,264, respectively; 87 percent has been contributed for fiscal years 2004 and 100 percent for fiscal years 2003 and 2002. The entire unpaid contribution totaling \$142,940 is recorded as a liability on both the balance sheet and the entity wide statement of net assets.

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have the option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 – POST-EMPLOYMENT BENEFITS

School Employees Retirement System

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million. The number of benefit recipients currently receiving health care benefits is approximately 62,000. For the District, the amount contributed to fund postemployment benefits during fiscal year 2004 was \$111,805.

State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the District, the amount contributed to fund postemployment benefits during fiscal year 2004 was \$304,433.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for severance is 205 days. Upon retirement, payment is made for 25 percent of the employee's balance based upon their years of service. Teachers are also entitled to an additional forty bonus days if certain requirements are met.

B. Health Care Benefits

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copiers and computers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in fiscal year 2004 totaled \$54,242 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

Year ending June 30,	2005	51,609
	2006	51,609
	2007	38,351
Total		141,569
Less: Amount representing interest		<u>(11,564)</u>
Present value of minimum lease payments		<u>\$ 130,005</u>

NOTE 14 -LONG-TERM OBLIGATIONS

Long-term obligations of the District as of June 30, 2004 were as follows:

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

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

The School District's overall legal debt margin is 8% of the total value of real and personal property. At June 30, 2004, the District's general obligation debt was below the legal limit.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term loans at June 30, 2004, are as follows:

Year ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005		8,369	1,313	9,682
2006		8,825	857	9,682
2007		9,306	375	9,681
		<u>\$ 26,500</u>	<u>\$ 2,545</u>	<u>\$ 29,045</u>

A summary of changes in long-term obligations for the year ended June 30, 2004, are as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Amount Due in One Year</u>
Long-Term Loans Payable:					
Energy Conservation Loans	\$ 34,436	\$ -	\$ 7,936	\$ 26,500	\$ 8,369
Capital Leases Payable	87,311	89,000	46,306	130,005	44,017
Compensated Absences Payable	285,387	53,075	-	338,462	105,972
Total	<u>\$ 407,134</u>	<u>\$ 142,075</u>	<u>\$ 54,242</u>	<u>\$ 494,967</u>	<u>\$ 158,358</u>

The compensated absences payable beginning balance has been restated from the previous fiscal year. See Note 23.

NOTE 15 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

As of June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 55,907	\$ -
Other Governmental Funds:		
Title VI-B	-	51,963
Title V	-	3,025
Drug Free Schools	-	919
	<u>\$ 55,907</u>	<u>\$ 55,907</u>

In addition, the General Fund made a transfer in the amount of \$2,052 to the Title VI Special Education Fund (an Other Governmental Fund).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association

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

B. Vanguard-Sentinel Joint Vocational School

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

NOTE 17 – INSURANCE POOLS

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

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

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

B. Wyandot-Crawford Health Benefit Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 17 – INSURANCE POOLS (continued)

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, OH 43656.

NOTE 18 – RELATED ORGANIZATIONS

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

NOTE 19 - STATUTORY RESERVES

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

In addition, although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the District has opted to maintain their reserve to offset any budget deficit the District may experience in future fiscal years. During the fiscal year ended June 30, 2004, the District's cash basis reserve activity was as follows:

	<u>Texbook Reserve</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2003	\$ (410,657)	\$ 0	\$ 151,993	\$ (258,664)
Current year set-aside requirements	253,776	253,776	0	507,552
Qualifying disbursements	<u>(287,208)</u>	<u>(425,911)</u>	<u>0</u>	<u>(713,119)</u>
	<u>\$ (444,089)</u>	<u>\$ (172,135)</u>	<u>\$ 151,993</u>	<u>\$ (464,231)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ (444,089)</u>	<u>\$ (172,135)</u>	<u>\$ 151,993</u>	
Set-aside reserved balance as of June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 151,993</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 19 - STATUTORY RESERVES (continued)

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

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. Grant funds expended under these programs generally require 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

The School District's attorney estimates that any political claims against the District not covered by insurance would not materially affect the financial statements.

NOTE 21 – SCHOOL FUNDING DECISION

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

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

NOTE 22 – COMPLIANCE AND ACCOUNTABILITY

A. Excess of expenditures over appropriations

For the year ended June 30, 2004, expenditure exceeded appropriations in the general fund by \$465,628. These expenditures were funded by available fund balance.

B. Deficit fund balance

At June 30, 2004, the Adult Basic Literacy in Education, Title VI-B Special Education, and Title II-A funds (Other Governmental Funds) had deficit fund balances of \$286, \$1,348, and \$12,143, respectively. The deficit fund balances resulted from adjustments for accrued liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 23 – PRIOR PERIOD RESTATEMENTS

Other Governmental Funds:

It was found that the District's journal entry to record donated food commodity usage in the preceding year was incorrect resulting in the District's June 30, 2003 deferred revenue balance being overstated. The effect of this restatement on beginning fund balance is as follows:

	Other Governmental Funds
Fund Balance - June 30, 2003	\$568,044
Deferred revenue reduction	15,940
Fund Balance - July 1, 2003	\$583,984

The effect of this correction on current year operations is a \$15,940 increase in the excess of revenues and other financing sources over expenditures and other financing uses. The effect of this restatement on operations of the preceding fiscal year was a \$15,940 understatement of the excess of revenues and other financing sources over expenditures and other financing uses.

Governmental Activities:

It was found that the District's June 30, 2003 severance liability calculation worksheet contained errors resulting in the District's severance liability being overstated. The effect of this restatement on beginning net assets is as follows:

	Governmental Activities
Net Assets - June 30, 2003	\$ 6,234,042
Severance liability reduction	533,983
Deferred revenue reduction	15,940
Net Assets - July 1, 2003	\$ 6,783,965

The effect of this correction on current year operations is a \$533,983 increase in the Change in Net Assets on the Statement of Activities. Since the same erroneous worksheet was used to calculate the severance liability at June 30, 2002, the effect on operations of the preceding fiscal year was insignificant.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 24 – SUBSEQUENT EVENTS

A. Debt Issuances:

On July 15, 2004, the District issued School Energy Conservation Improvement Bonds in the amount of \$850,000, maturing June 1, 2019, for the purpose of energy conservation measures. In addition, on July 28, 2004, the District issued a School Energy Conservation Improvement Bond Anticipation Note in the amount of \$407,000, maturing June 1, 2005, for the same purpose.

B. Income Tax Levy:

On November 2, 2004, the District passed an annual income tax levy of one-half percent (.5%) per annum on the school district income of individuals and of estates, for a period of five (5) years.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROLS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of the Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 29, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated December 29, 2004.

Board of Education
Upper Sandusky Exempted Village School District
Report on Compliance and on Internal Controls
Required by *Government Auditing Standards*
Page 2

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

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
December 29, 2004



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

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

Compliance

We have audited the compliance of The Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 29, 2004.

Internal Control over Compliance

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

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

Schedule of Receipts and Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Upper Sandusky Exempted Village School District, Wyandot County, Ohio as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2004. Our audit was performed for the purpose of forming opinions on the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates LLC
December 29, 2004

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
(Passed Through Ohio Department of Education)						
Food Distribution Program	N/A	10.550	\$ -	\$ 36,852	\$ -	\$ 36,852
School Breakfast Program	05-PU-03	10.553	832	-	-	-
	05-PU-04		4,543	-	5,375	-
Total School Breakfast Program			5,375	-	5,375	-
National School Lunch Program	LL-P4-03	10.555	18,560	-	-	-
	LL-P4-04		110,613	-	129,173	-
Total National School Lunch Program			129,173	-	129,173	-
Total U.S. Department of Agriculture - Nutrition Cluster			134,548	36,852	134,548	36,852
U.S. DEPARTMENT OF EDUCATION						
(Passed Through Ohio Department of Education)						
Adult Basic Literacy Education	AB-S1-04	84.002	18,650	-	18,650	-
Title I Grants to Local Education Agencies	C1-S1-03	84.010	(11,897)	-	14,182	-
	C1-S1-04		194,965	-	163,539	-
Total Title I Grants to Local Education Agencies			183,068	-	177,721	-
Title VI-B- Special Education	6B-SF-03	84.027	84,472	-	88,771	-
	6B-SF-04		130,186	-	189,236	-
Total Title VI-B- Special Education			214,658	-	278,007	-
Safe and Drug Free Schools and Communities	DR-S1-03	84.186	3,144	-	2,005	-
	DR-S1-04		7,617	-	6,950	-
Total Safe & Drug Free Schools & Communities			10,761	-	8,955	-
Innovative Education Program Strategies	C2-S1-02	84.298	-	-	1,099	-
	C2-S1-03		5,211	-	1,092	-
	C2-S1-04		7,816	-	9,954	-
Total Innovative Education Program Strategies			13,027	-	12,145	-
Education Technology	TJ-S1-03	84.318	4,724	-	5,761	-
	TJ-S1-04		689	-	-	-
Total Education Technology			5,413	-	5,761	-
School Renovation Grants	AT-S2-02	84.352A	(39)	-	-	-
	AT-S3-03		-	-	665	-
	AT-S3-04		-	-	1,940	-
Total School Renovation Grants			(39)	-	2,605	-
Title II-A-Improving Teacher Quality	TR-S1-03	84.367	20,227	-	23,834	-
	TR-S1-04		75,064	-	74,103	-
Total Title II-A Improving Teacher Quality			95,291	-	97,937	-
Total U.S. Department of Education			540,829	-	601,781	-
Totals			\$ 675,377	\$ 36,852	\$ 736,329	\$ 36,852

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

**NOTES TO THE SCHEDULE RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

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

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

JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Special Education, Part B-IDEA CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2004

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

2004-1. REPORTABLE CONDITION – FOOD SERVICE RECEIPTS

The District should maintain adequate support documentation for all accounting transactions to ensure the validity and nature of each transaction.

During our testing of food service receipts, we noted that the District does not maintain adequate support documentation. Each school completes a daily worksheet showing the total number of each type of meal sold each day. These daily worksheets are used by the District to compile the food service weekly pay-in summary. However, there is no underlying documentation, such as receipts or a cash register tape, to support the numbers on the daily worksheets. Thus, there is no way for the District to ensure that amounts collected from food services sales are properly recorded and deposited. We noted one school that could not even provide the daily worksheets.

We recommend that the District begin maintaining supporting documentation (e.g., cash register tapes, reconciled daily inventories, pre-pay and charge reconciliations, etc.) for all food service collections at its schools.

2004-2. INTERNAL CONTROL WEAKNESS – STUDENT ACTIVITY RECEIPTS

The District should maintain adequate support documentation for all accounting transactions to ensure the validity and nature of each transaction.

During our testing of extracurricular activity receipts, we noted that the District was unable to provide adequate support documentation, such as a duplicate receipts, student applications, or ticket stubs, for 22 of the 40 different activities that we tested. Thus, the District is unable to ensure that the amounts it collects for various student activities are properly recorded and deposited.

We recommend that the District begin requiring that all extracurricular activities obtain and maintain supporting documentation for all receipts. The form of the documentation may vary depending upon the nature of the activity; however, the District should be able to reconcile amounts posted and deposited to the underlying documentation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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Betty Montgomery**

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**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
FEBRUARY 15, 2005**