

**Upper Sandusky
Exempted Village School District**

Wyandot County, Ohio

Single Audit

June 30, 2007





Mary Taylor, CPA
Auditor of State

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Avenue, Suite A
Upper Sandusky, Ohio 43351

We have reviewed the *Independent Auditor's Report* of the Upper Sandusky Exempted Village School District, Wyandot County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 18, 2008

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets – Modified Cash Basis	11
Statement of Activities - Modified Cash Basis	12
Fund Financial Statements	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds	13
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds	14
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual - General Fund	15
Statement of Fiduciary Net Assets – Modified Cash Basis	16
Notes to the Basic Financial Statements	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	38
Schedule of Receipts and Expenditures of Federal Awards	40
Notes to the Schedule of Receipts and Expenditures of Federal Awards	41
Schedule of Findings and Questioned Costs	42
Summary Schedule of Prior Audit Findings	44

This Page is Intentionally Left Blank.

INDEPENDENT AUDITOR'S REPORT

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Ave.
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, 2007, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
Columbus, Ohio
December 17, 2007

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

This discussion and analysis of the Upper Sandusky Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2007, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets increased \$763,102, or 34.3 percent.
- The District's general receipts primarily consist of property taxes, income taxes, and intergovernmental aid, representing 36.6%, 16.2%, and 45.2% of total general receipts received by the District during the year, respectively.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$2,989,442, an increase of \$763,102 or 34.3% in comparison with the prior year. Of this total amount, \$2,322,117 is available for spending at the government's discretion (unreserved fund balance).

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the District reports governmental activities, which are the District's basic services. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's only major governmental fund is the General Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the District's programs.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The District as a Whole

Table 1 provides a summary of the District's net assets for 2007 compared to 2006 on a modified cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2007	2006
Assets		
Current Assets	\$2,989,442	\$2,226,340
Total Current Assets	\$2,989,442	\$2,226,340
Net Assets		
Restricted for:		
Capital Projects	30,057	119,683
Other Purposes	676,763	512,162
Unrestricted	2,282,622	1,594,495
Total Net Assets	\$2,989,442	\$2,226,340

Space was intentionally left blank

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The District's net assets increased by \$763,102, or 34.3%. Key elements of this increase are as follows:

**Changes in Net Assets
Governmental Activities
Table 2**

	2007	2006
Receipts:		
Program Receipts		
Charges for Services	\$ 1,669,773	\$ 1,638,028
Operating Grants	977,864	992,975
Total Program Receipts	<u>2,647,637</u>	<u>2,631,003</u>
General Receipts		
Taxes	6,867,673	6,180,068
Grants and Entitlements	4,966,042	5,056,618
Payments in Lieu of Taxes	912,581	391,334
Investment Earnings	128,670	86,559
Other Receipts	123,772	213,194
Total General Receipts	<u>12,998,738</u>	<u>11,927,773</u>
Total Receipts	<u>15,646,375</u>	<u>14,558,776</u>
Disbursements:		
Program Disbursements		
Instruction	7,935,188	7,776,963
Support Services	5,168,501	5,260,998
Non-Instructional	753,622	848,620
Extra Curricular Activities	533,374	554,022
Capital Outlay	-	3,394
Principal Retirement	440,927	465,264
Interest and Fiscal Charges	51,661	52,671
Total Disbursements	<u>14,883,273</u>	<u>14,961,932</u>
Changes in Net Assets	<u>\$ 763,102</u>	<u>\$ (403,156)</u>

Program Receipts

Program receipts are comprised of charges for services and sales and operating grants and contributions. Program receipts during fiscal year 2007 were consistent with fiscal year 2006.

General Receipts

Taxes increased \$687,605, or 11.1%, during fiscal year 2007. This increase was the result of a \$1,013,151 increase in income tax receipts offset by a \$325,546 decrease in property tax receipts. The increase in income tax receipts was the result of fiscal year 2007 being the first full-year collection of the ¾ percent income tax, which became effective on January 1, 2006. The decrease in property tax receipts is a result of the phase-out of the personal property tax.

Payments in lieu of taxes increased \$521,247 million as a result of an increase in personal property tax reimbursements from the State of Ohio.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and support services, which account for 53.3 and 34.7 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The Net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Instruction				
Regular	\$ 5,767,316	\$ 5,250,018	\$ 5,700,558	\$ 5,241,141
Special	1,160,884	851,737	1,203,988	847,518
Vocational	46,374	26,780	42,058	32,035
Adult/Continuing	25,489	1,470	21,336	(3,173)
Other Instruction	935,125	859,669	809,023	756,266
Support Services				
Pupils	734,357	596,665	694,640	597,937
Instructional Staff	598,732	414,318	516,002	347,625
Board of Education	44,763	44,763	98,537	98,537
Administration	1,216,763	1,177,762	1,228,875	1,164,849
Fiscal Services	745,798	745,798	764,293	764,293
Maintenance	1,017,891	1,013,520	1,129,973	1,119,269
Pupil Transportation	772,940	756,166	783,555	783,329
Central	37,257	37,257	45,123	45,123
Non-instructional Services	753,622	43,773	848,620	57,806
Extra Curricular Activities	533,374	280,352	554,022	314,045
Capital Outlay	-	-	3,394	3,394
Principal Retirement	440,927	83,927	465,264	108,264
Interest and Fiscal Charges	51,661	51,661	52,671	52,671
Total Disbursements	\$ 14,883,273	\$ 12,235,636	\$ 14,961,932	\$ 12,330,929

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The District'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 \$2,989,442, an increase of \$763,102 in comparison with the prior year. Approximately 83% of this amount (\$2,322,117) 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 (\$339,797) or for set asides (\$175,535).

The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General	\$ 2,475,555	\$ 1,594,495	\$ 881,060
Other Governmental	513,887	631,845	(117,958)
Total	<u>\$ 2,989,442</u>	<u>\$ 2,226,340</u>	<u>\$ 763,102</u>

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 \$2,019,614, while total fund balance was \$2,475,555. 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 disbursements. Unreserved fund balance represents 15.5% of total general fund disbursements, while total fund balance represents 16.6% of that same amount.

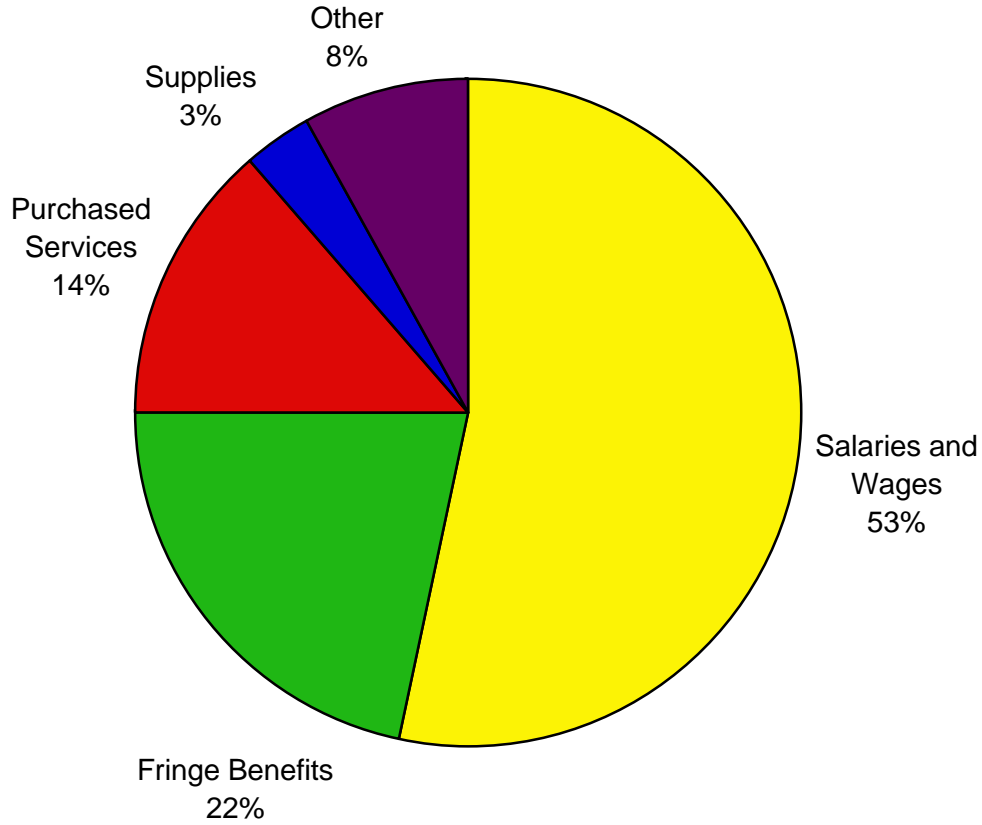
As noted above, fund balance of the District's general fund increased significantly during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

	2007 Amount	2006 Amount	Percentage Change
Revenues			
Taxes	\$ 6,867,214	\$ 6,180,068	11%
Intergovernmental	5,910,730	5,447,952	8%
Tuition and Fees	561,187	490,827	14%
Other	245,403	310,279	-21%
Total	<u>\$ 13,584,534</u>	<u>\$ 12,429,126</u>	9%

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**



Expenditures by Object	2007 Amount	2006 Amount	Percentage Change
Salaries and Wages	\$ 6,949,773	\$ 6,783,310	2%
Fringe Benefits	2,857,573	2,897,583	-1%
Purchased Services	1,769,391	1,818,383	-3%
Supplies	427,623	446,063	-4%
Capital Outlay	167,441	133,124	26%
Miscellaneous	888,746	966,619	-8%
Total	\$ 13,060,547	\$ 13,045,082	0%

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

General Fund Budgeting Highlights

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

During 2007, the District amended its General Fund budget to reflect changing circumstances. Final budgeted receipts increased \$1,276,700, or 9.9%, over the original budgeted receipts. Final appropriations were the same as original appropriations.

Final disbursements were budgeted at \$13,176,038 while actual disbursements were \$13,188,962.

Capital Assets and Debt Administration

Capital Assets

Because the District reports on the modified cash basis of accounting, it does not track capital asset activity for financial reporting purposes

Debt

At June 30, 2007, the District's outstanding debt consisted mainly of energy conservation bonds and capital leases for facilities and equipment. For further information regarding the District's debt, refer to Notes 11, 12 and 13 to the basic financial statements.

Current Issues

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.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nathan Lynch, Treasurer, Upper Sandusky Exempted Village School District, 800 N. Sandusky Ave., Upper Sandusky, Ohio, 43351.

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

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2007**

	Governmental <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 2,801,169
Beneficial Interest in Assets Held by Others	12,019
Cash with Fiscal Agent	719
Restricted Cash and Cash Equivalents	<u>175,535</u>
Total Assets	<u>2,989,442</u>
Net Assets	
Restricted for:	
Capital Projects	30,057
District Managed Student Activities	254,810
Set Asides	175,535
Other Purposes	246,418
Unrestricted	<u>2,282,622</u>
Total Net Assets	<u>\$ 2,989,442</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

		Program Receipts		Net (Disbursement)/ Receipt and Changes in Net Assets
	Cash <u>Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction				
Regular	\$ 5,767,316	\$ 424,002	\$ 93,296	\$ (5,250,018)
Special	1,160,884	66,754	242,393	(851,737)
Vocational	46,374	3,455	16,139	(26,780)
Adult/Continuing	25,489	-	24,019	(1,470)
Other Instruction	935,125	69,099	6,357	(859,669)
Support Services				
Pupils	734,357	-	137,692	(596,665)
Instructional Staff	598,732	-	184,414	(414,318)
Board of Education	44,763	-	-	(44,763)
Administration	1,216,763	37,706	1,295	(1,177,762)
Fiscal Services	745,798	-	-	(745,798)
Operation and Maintenance	1,017,891	4,371	-	(1,013,520)
Pupil Transportation	772,940	-	16,774	(756,166)
Central	37,257	-	-	(37,257)
Non-instructional Services	753,622	454,364	255,485	(43,773)
Extra Curricular Activities	533,374	253,022	-	(280,352)
Principal Retirement	440,927	357,000	-	(83,927)
Interest and Fiscal Charges	51,661	-	-	(51,661)
Total Governmental Activities	<u>\$ 14,883,273</u>	<u>\$ 1,669,773</u>	<u>\$ 977,864</u>	<u>\$ (12,235,636)</u>

General Receipts	
Property Taxes	4,761,248
Income Taxes	2,106,425
Grants & Entitlements not Restricted to Specific Programs	4,966,042
Payment in Lieu of Taxes	912,581
Investment Earnings	128,670
Miscellaneous	123,772
Total General Receipts	<u>12,998,738</u>

Change in Net Assets	763,102
Net Assets Beginning of Year	2,226,340
Net Assets End of Year	<u>\$ 2,989,442</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 2,300,020	\$ 501,149	\$ 2,801,169
Beneficial Interest in Assets Held by Others	-	12,019	12,019
Cash with Fiscal Agent	-	719	719
Restricted Cash and Cash Equivalents	175,535	-	175,535
Total Assets	2,475,555	513,887	2,989,442
Fund Balances:			
Reserved/Designated:			
Reserved for Encumbrances	128,413	211,384	339,797
Designated for Budget Stabilization	151,993	-	151,993
Reserved for Capital Acquisitions	175,535	-	175,535
Unreserved, Reported in:			
General Fund	2,019,614	-	2,019,614
Debt Service Fund	-	4,781	4,781
Special Revenue Funds	-	438,207	438,207
Capital Project Funds	-	(140,485)	(140,485)
Total Fund Balances	\$ 2,475,555	\$ 513,887	\$ 2,989,442

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts:			
Property Taxes	\$ 4,760,789	\$ 459	\$ 4,761,248
Income Taxes	2,106,425	-	2,106,425
Intergovernmental	5,910,730	945,757	6,856,487
Interest	121,631	7,039	128,670
Tuition and Fees	561,187	69,852	631,039
Extracurricular Activities	-	229,485	229,485
Food Service	-	382,512	382,512
Other Receipts	123,772	65,366	189,138
Total Receipts	<u>13,584,534</u>	<u>1,700,470</u>	<u>15,285,004</u>
Disbursements:			
Current:			
Instruction:			
Regular	5,662,818	104,498	5,767,316
Special	896,028	264,856	1,160,884
Vocational	46,374	-	46,374
Adult/Continuing	-	25,489	25,489
Other	927,504	7,621	935,125
Support services:			
Pupils	601,533	132,824	734,357
Instructional staff	392,071	206,661	598,732
Board of Education	44,763	-	44,763
Administration	1,175,027	41,736	1,216,763
Fiscal	745,727	71	745,798
Operation and Maintenance of Plant	923,969	93,922	1,017,891
Pupil Transportation	772,083	857	772,940
Central	37,257	-	37,257
Non-instructional Services	-	753,622	753,622
Extracurricular Activities	342,807	190,567	533,374
Debt service:			
Principal Retirement	440,927	-	440,927
Interest and Fiscal Charges	51,661	-	51,661
Total Disbursements	<u>13,060,549</u>	<u>1,822,724</u>	<u>14,883,273</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>523,985</u>	<u>(122,254)</u>	<u>401,731</u>
Other financing sources:			
Other Financing Sources	75	4,296	4,371
Proceeds from Notes	357,000	-	357,000
Total other financing sources	<u>357,075</u>	<u>4,296</u>	<u>361,371</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	881,060	(117,958)	763,102
Fund Balance at Beginning of Year	<u>1,594,495</u>	<u>631,845</u>	<u>2,226,340</u>
Fund Balance at End of Year	<u>\$ 2,475,555</u>	<u>\$ 513,887</u>	<u>\$ 2,989,442</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Total Revenues	\$ 12,845,000	\$ 14,121,700	\$ 13,584,534	\$ (537,166)
Expenditures:				
Current:				
Instruction:				
Regular	5,762,101	5,792,901	5,717,451	75,450
Special	952,485	952,485	896,028	56,457
Vocational	53,750	53,750	46,374	7,376
Other	815,000	815,000	930,309	(115,309)
Support Services:				
Pupils	701,317	701,317	603,080	98,237
Instructional Staff	420,281	389,481	393,701	(4,220)
Board of Education	74,698	74,698	55,051	19,647
Administration	1,214,370	1,214,370	1,175,027	39,343
Fiscal	794,250	794,250	746,079	48,171
Operation and Maintenance of Plant	1,123,542	1,123,542	959,508	164,034
Pupil Transportation	774,924	774,924	793,702	(18,778)
Central	45,550	45,550	37,257	8,293
Extracurricular Activities	333,770	333,770	342,807	(9,037)
Debt Service:				
Principal Retirement	90,000	90,000	440,927	(350,927)
Interest and Fiscal Charges	20,000	20,000	51,661	(31,661)
Total Expenditures	13,176,038	13,176,038	13,188,962	(12,924)
Excess of Receipts Over (Under) Expenditures	(331,038)	945,662	395,572	(550,090)
Other Financing Sources (Uses):				
Proceeds from Notes	-	-	357,000	357,000
Refund of Prior Year Expenditures	-	-	75	75
Transfers Out	(10,000)	(10,000)	-	10,000
Advances - Out	(20,000)	(20,000)	-	20,000
Total Other Financing Sources (Uses)	(30,000)	(30,000)	357,075	387,075
Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(361,038)	915,662	752,647	(163,015)
Fund Balances at Beginning of Year	1,537,634	1,537,634	1,537,634	-
Prior Year Encumbrances Appropriated	56,862	56,862	56,862	-
Fund Balances at End of Year	\$ 1,233,458	\$ 2,510,158	\$ 2,347,143	\$ (163,015)

See accompanying notes to the basic financial statements.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2007

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 48,420
Total Assets	<u>48,420</u>
Net Assets	
Restricted Net Assets	<u>48,420</u>
Total Net Assets	<u>\$ 48,420</u>

See accompanying notes to the basic financial statements.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 1 - Reporting Entity

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 and 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 the entire City of Upper Sandusky. The School District is staffed by 85 classified employees and 137 certified teaching personnel who provide services to 1,730 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District 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.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District.

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.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 1 - Reporting Entity (continued)

C. Jointly Governed Organizations, Public Entity Risk Pools, and/or Related Organizations

The School District participates in two jointly governed organizations, two public entity risk pools, and is associated with a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), the 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 17, 18, and 19 to the basic financial statements.

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

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net assets presents the cash balance of the activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's activities.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary, and fiduciary.

Governmental Funds - The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's only major fund is the General Fund.

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - The School District has no proprietary funds.

Fiduciary Funds - The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District has no trust fund accounts. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the fiscal year, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2007 was \$121,631.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside by the School District.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

I. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when an cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, budget stabilization, textbooks, and capital acquisitions.

The reserves for budget stabilization, textbooks, and capital acquisitions represent money required to be set-aside by state statute.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

O. Interfund Transactions

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The School District had no extraordinary or special items during the fiscal year.

Note 3 – Accountability and Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$ 128,413
--------------	------------

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 5 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 5 – Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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.

At year end, the School District had \$3,300 in undeposited cash on hand which is included as part of "Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the School District's deposits was \$1,351,130 and the bank balance was \$1,456,340. Of the bank balance, \$1,266,943 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name. The above balances do not include \$3,300 in petty cash held by the district and \$719 in cash held with a fiscal agent.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2007, the School District's only investment was STAR Ohio in the amount of \$1,670,694. All investments in STAR Ohio have a maturity of less than one year.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 5 – Deposits and Investments (continued)

135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The School District's investment in STAR Ohio was not exposed to custodial credit risk.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Wyandot, Marion and Crawford counties. The County 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 6 - Property Taxes (continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$ 147,937,280	65%	\$ 149,731,390	68%
Industrial/Commercial	36,838,100	16%	38,820,310	18%
Public Utility Property	9,030,168	4%	8,901,510	4%
Tangible Personal Property	35,381,523	15%	22,888,140	10%
Total Assessed Value	<u>\$ 229,187,071</u>	<u>100%</u>	<u>\$ 220,341,350</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.30		\$ 35.30	

Note 7 - Income Taxes

On November 8, 2005, the School District voters passed a ¾ percent income tax levy for current expenses on the school district income of individuals and estates. The tax was effective on January 1, 2006, and will continue for 5 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 receipts are recorded in the General Fund.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$30,869,008
Automobile Liability	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000

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

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 8 - Risk Management (continued)

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

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

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

Note 9 - 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, 2007, 2006, and 2005, were \$224,496, \$218,297, and \$278,130, respectively, equal to the required contributions for each year.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 9 - Defined Benefit Pension Plans (continued)

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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, were 10 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, 2007, 2006, and 2005 were \$839,244, \$841,284, and \$972,243, respectively, equal to the required contributions for each year.

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, 2007, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 10 – 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 fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006 (the latest information available), the healthcare allocation is 3.42%. 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 2006 (the latest information available), the minimum pay has been established as \$35,800. 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. Net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$133,755,656. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits in 2006 was 59,492.

The portion of the District's fiscal year 2007 contributions that were used to fund postemployment benefits was \$72,854.

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.

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.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 10 – Post-Employment Benefits (continued)

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2006 and June 30, 2005, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, the amount contributed to fund postemployment benefits during fiscal year 2007 was \$59,922.

The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and there were 119,184 eligible benefit recipients.

Note 11 - Notes Payable

The changes in the School District's notes payable during fiscal year 2007 were as follows:

	Balance June 30, 2006	Additions	Reductions	Interest	Balance June 30, 2007
<u>Bond Anticipation Note</u>					
2006 Issue	\$ 357,000	\$ -	\$ (357,000)	\$ (16,220)	\$ -
2007 Issue	\$ 0	\$ 357,000	\$ -	\$ -	\$ 357,000
Total	<u>\$ 357,000</u>	<u>\$ 357,000</u>	<u>\$ (357,000)</u>	<u>\$ (16,220)</u>	<u>\$ 357,000</u>

On June 1, 2005, the School District issued a short-term Energy Conservation Improvement Bond Anticipation Note in the amount of \$357,000. All note proceeds were spent in fiscal year 2005. On June 1, 2006, the Note was rolled-over at 4.50%. On June 1, 2007, the Note was rolled-over again at 4.5%. The bond anticipation note is backed by the full faith and credit of the School District and matures within one year.

Note 12 – Debt

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Beginning Balance	Additions	Reductions	Interest Payments	Ending Balance	Amount Due in One Year
Energy Conservation Bonds:						
Issued 5/97, matures 3/07	\$ 9,306	\$ -	\$ (9,306)	\$ 376	\$ -	\$ -
Issued 7/04, matures 6/19	755,000	-	(45,000)	32,905	710,000	45,000
Capital Leases	29,621	87,934	(29,621)	2,160	87,934	31,781
Total	<u>\$ 793,927</u>	<u>\$ 87,934</u>	<u>\$ (83,927)</u>	<u>\$ 35,441</u>	<u>\$ 797,934</u>	<u>\$ 76,781</u>

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 12 – Debt (continued)

Energy Conservation Improvement Bonds totaling \$72,875 were issued on May 23, 1997, to provide for 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.

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

Principal and interest requirements to retire the energy conservation bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,	2008	45,000	31,330	\$ 76,330
	2009	50,000	29,688	79,688
	2010	50,000	27,813	77,813
	2011	55,000	25,863	80,863
	2012	55,000	23,635	78,635
	2013-2017	310,000	80,652	390,652
	2018-2019	<u>145,000</u>	<u>10,930</u>	<u>155,930</u>
		<u>\$ 710,000</u>	<u>\$ 229,911</u>	<u>\$ 939,911</u>

The Ohio Revised Code provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2007, the District's total net debt was approximately .32% of the total assessed value of all property within the school district.

Note 13 – Capital Leases

The School District leases computers under noncancelable leases. The School District disbursed \$31,781 to pay lease costs for the year ended June 30, 2007. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2008	31,781
2009	31,781
2010	<u>31,781</u>
	<u>\$ 95,343</u>
Amount representing interest	\$ 7,409

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 14 - Set Aside Requirements

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In addition, though no longer required, the School District opted to designate money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements, and the budget stabilization designation, during fiscal year 2007.

	<u>Texbook Reserve</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2006	\$ (84,075)	\$ 241,578	\$ 151,993	\$ 309,496
Current year set-aside requirements	269,178	269,178	-	538,356
Qualifying disbursements	<u>(201,339)</u>	<u>(335,221)</u>	<u>-</u>	<u>(536,560)</u>
	<u>\$ (16,236)</u>	<u>\$ 175,535</u>	<u>\$ 151,993</u>	<u>\$ 311,292</u>
Set-aside balance carried forward to future fiscal years	<u>\$ (16,236)</u>	<u>\$ 175,535</u>	<u>\$ 151,993</u>	
Set-aside reserved balance as of June 30, 2007	<u>\$ (16,236)</u>	<u>\$ 175,535</u>	<u>\$ 151,993</u>	

Although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the School District has opted to maintain their designate to offset any budget deficit the School District may experience in future fiscal years.

Note 15 – Interfund Receivables/Payables

At June 30, 2007, the General Fund had an unpaid interfund cash advance, in the amount of \$2,550, for a short-term loan made to the emergency response special revenue fund. This amount is expected to be repaid within one year.

Note 16 – Contingent Liabilities

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 17 - 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 Linda Hoch, 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 18 – Public Entity Risk 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 18 – Public Entity Risk 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 19 - Related Organization

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

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

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Ave.
Upper Sandusky, Ohio 43351

We have audited the 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, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. This instance of noncompliance is described in the accompanying schedule of findings and questioned costs as item 2007-1.

Board of Education
Upper Sandusky Exempted Village School District
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

We also noted certain other matters that we reported to management of the District in a separate letter dated December 17, 2007.

This report is intended solely 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.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
December 17, 2007

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

Board of Education
Upper Sandusky Exempted Village School District
800 N. Sandusky Ave.
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 programs for the year ended June 30, 2007. The District's major federal programs are 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, 2007.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely 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.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
December 17, 2007

UPPER SANDUSKY EXEMTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/Pass through grantor/Program title	Federal CFDA Number	Agency or pass through number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Pass-through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550		\$ -	\$ 23,637	\$ -	\$ 23,814
School Breakfast Program	10.553	045625-05PU	16,602		16,602	
National School Lunch Program	10.555	045625-LLP4	138,714	-	138,714	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>155,316</u>	<u>23,637</u>	<u>155,316</u>	<u>23,814</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Pass-through Ohio Department of Education:</i>						
Adult Education State Grant Program	84.002	045625-ABS1	27,935	-	29,645	-
Title I Grants to Local Education Agencies	84.010	045625-C1S1	83,619	-	86,910	-
Special Education-Grants to States	84.027	045625-6BSF	427,065	-	478,334	-
Safe and Drug Free Schools and Communities - State Program	84.186	045625-DRS1	6,357	-	7,371	-
Innovative Education Program Strategies	84.298	045625-C2S1	3,322	-	3,610	-
Title II-D Technology Fund	84.318	045625-TJS1	3,891	-	955	-
Title II-A - Improving Teacher Quality	84.367	045625-TRS1	86,377	-	93,962	-
Total U.S. Department of Education			<u>638,566</u>	<u>-</u>	<u>700,787</u>	<u>-</u>
Totals			<u>\$793,882</u>	<u>\$ 23,637</u>	<u>\$ 856,103</u>	<u>\$ 23,814</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

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

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2007

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, 2007, the District had no significant food commodities in inventory.

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

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

JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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?	No

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

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

JUNE 30, 2007

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

2007-1 NONCOMPLIANCE: BASIS OF ACCOUNTING

Ohio Administrative Code Section 117-2-03 (B) states "All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles."

The District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. To be in compliance with the Ohio Administrative Code, the District should use generally accepted accounting principles in future annual financial reports; otherwise, the District can be fined and various other administrative remedies may be taken against the District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

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

JUNE 30, 2007

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Status</u>
2006	2006-1	Corrected.
2006	2006-2	Partially Corrected. Reported in Management Letter for 2007.
2006	2006-3	Partially Corrected. Reported in Management Letter for 2007.
2006	2006-4	Not corrected. Repeated as finding 2007-1
2006	2006-5	Corrected.
2006	2006-6	Corrected.



Mary Taylor, CPA
Auditor of State

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2008**