

Upper Sandusky Exempted Village School District

Wyandot County, Ohio

Single Audit

June 30, 2009





Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Upper Sandusky Exempted Village School District, Wyandot County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2008 through June 30, 2009. 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.

Finding for Recovery Repaid Under Audit

During fiscal year 2009, the District overpaid an employee, Megan Watterson, a total of \$262. This was the result of the employee working a reduced schedule for the pay period ending June 5, 2009, in which the employee's timesheet properly noted the reduction in hours. However, the reduction was inadvertently not completed on the June 26, 2009 payroll.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Megan Watterson in the amount of \$262 and in favor of the District's IDEA, Part B, Special Education Fund.

On January 8, 2010, Megan Watterson repaid the full amount of \$262 to the District.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 18, 2010

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2009, 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 reasonably assure 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 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in 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 22, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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
December 22, 2009

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(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, 2009, within the limitations of the District's 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 2009 are as follows:

- Net assets increased \$303,993, or 6.1 percent.
- The District's general receipts primarily consist of property taxes, income taxes, and intergovernmental aid, representing 31.8%, 20.5%, and 46.5% 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 \$4,982,508, an increase of \$303,993 or 6.1% in comparison with the prior year. Of this total amount, \$4,141,992 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 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 using the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's 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, 2009
(UNAUDITED)**

As a result of using the 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 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 2009, within the limitations of 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 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, 2009
(UNAUDITED)**

The District as a Whole

Table 1 provides a summary of the District's net assets for 2009 compared to 2008 on a cash basis:

| | Governmental Activities | |
|-----------------------|-------------------------|--------------|
| | 2009 | 2008 |
| Assets | | |
| Current Assets | \$ 4,982,508 | \$ 4,678,515 |
| Total Current Assets | 4,982,508 | 4,678,515 |
| Net Assets | | |
| Restricted for: | | |
| Capital Projects | 133,450 | 2,942 |
| Unexpended Grants | 124,370 | 126,702 |
| Set Asides | - | 130,036 |
| Other Purposes | 124,982 | 135,281 |
| Unrestricted | 4,599,706 | 4,283,554 |
| Total Net Assets | \$ 4,982,508 | \$ 4,678,515 |

Fiscal year 2008 net asset restrictions have been restated to reclassify certain net assets, primarily those related to District Managed Student Activities, from Restricted to Unrestricted.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The District's net assets increased by \$303,993, or 6.1%. Key elements of this increase are as follows:

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

| | 2009 | 2008 |
|---------------------------------|---------------------|---------------------|
| Receipts: | | |
| Program Receipts | | |
| Charges for Services | \$ 1,672,863 | \$ 1,828,681 |
| Operating Grants | 2,149,472 | 1,868,678 |
| Total Program Receipts | <u>3,822,335</u> | <u>3,697,359</u> |
| General Receipts | | |
| Taxes | 6,862,338 | 7,548,659 |
| Payments in Lieu of Taxes | 52,946 | 81,817 |
| Grants and Entitlements | 6,111,825 | 5,484,110 |
| Investment Earnings | 51,629 | 114,100 |
| Other Receipts | 52,812 | 142,513 |
| Total General Receipts | <u>13,131,550</u> | <u>13,371,199</u> |
| Total Receipts | <u>16,953,885</u> | <u>17,068,558</u> |
| Disbursements: | | |
| Program Disbursements | | |
| Instruction | 8,663,029 | 8,088,819 |
| Support Services | 6,147,018 | 5,544,837 |
| Non-Instructional | 702,105 | 716,653 |
| Extra Curricular Activities | 601,832 | 548,045 |
| Principal Retirement | 490,577 | 433,781 |
| Interest and Fiscal Charges | 45,331 | 47,350 |
| Total Disbursements | <u>16,649,892</u> | <u>15,379,485</u> |
| Changes in Net Assets | <u>303,993</u> | <u>1,689,073</u> |
| Net Assets at Beginning of Year | <u>4,678,515</u> | <u>2,989,442</u> |
| Net Assets at End of Year | <u>\$ 4,982,508</u> | <u>\$ 4,678,515</u> |

Fiscal Year 2008 revenues have been restated to (1) reclassify foundation receipts related to special education and pupil transportation from general revenues to program revenues; (2) reclassify homestead and rollback receipts from payments in lieu of taxes to grants and entitlements; and (3) reclassify payments in lieu of taxes from non-governmental entities from grants and entitlements to payments in lieu of taxes.

Program Receipts

Program receipts are comprised of charges for services and sales and operating grants and contributions. Charges for services and sales decreased as a result in decreases in tuition and fees, extracurricular activities, and food services. Operating grants and contributions increased due to increases in state and federal funding for special education and food services, and an increase in donations related to the stadium renovation project.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

General Receipts

Taxes decreased \$686,321, or 9.1%, during fiscal year 2009. This decrease was the result of the economic conditions in the District and rising delinquent taxes. The decrease in property tax receipts is also a result of the phase-out of the personal property tax. The increase to grants and entitlements receipts is due to the District receiving approximately \$.6 million more in foundation receipts during 2009 as compared to 2008.

Disbursements

Disbursements increased \$1,270,407, or 8%, during fiscal year 2009. The increase is a result of the increasing cost of instruction and support services, primarily consisting of salaries and fringe benefits.

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 52.0 and 36.9 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 |
| | 2009 | 2009 | 2008 | 2008 |
| Instruction | | | | |
| Regular | \$ 6,150,215 | \$ 5,531,652 | \$ 5,883,704 | \$ 5,234,653 |
| Special | 1,284,642 | 494,166 | 1,235,568 | 496,041 |
| Vocational | 80,333 | 51,119 | 46,706 | 20,342 |
| Adult/Continuing | 25,623 | 1,980 | 29,343 | 954 |
| Other Instruction | 1,122,216 | 1,025,247 | 893,498 | 803,957 |
| Support Services | | | | |
| Pupils | 891,866 | 739,195 | 811,056 | 676,101 |
| Instructional Staff | 585,848 | 383,553 | 597,111 | 401,570 |
| Board of Education | 52,460 | 51,740 | 46,487 | 46,487 |
| Administration | 1,317,453 | 1,290,029 | 1,259,344 | 1,228,091 |
| Fiscal Services | 828,126 | 828,004 | 798,612 | 798,564 |
| Maintenance | 1,456,839 | 1,353,075 | 1,154,548 | 1,154,548 |
| Pupil Transportation | 976,053 | 495,451 | 840,851 | 372,858 |
| Central | 38,373 | 38,373 | 36,828 | 36,828 |
| Non-instructional Services | 702,105 | (46,907) | 716,653 | (44,165) |
| Extra Curricular Activities | 601,832 | 411,972 | 548,045 | 331,166 |
| Principal Retirement | 490,577 | 133,577 | 433,781 | 76,781 |
| Interest and Fiscal Charges | 45,331 | 45,331 | 47,350 | 47,350 |
| Total Disbursements | \$ 16,649,892 | \$ 12,827,557 | \$ 15,379,485 | \$ 11,682,126 |

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(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 \$4,982,508, an increase of \$303,993 in comparison with the prior year. Approximately 91% of this amount (\$4,554,661) 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 (\$275,854) or designated for budget stabilization (\$151,993).

The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2009 and 2008.

| | Fund Balance June 30, 2009 | Fund Balance June 30, 2008 | Increase (Decrease) |
|--------------------|-------------------------------|-------------------------------|------------------------|
| General | \$ 4,301,094 | \$ 4,303,868 | \$ (2,774) |
| Other Governmental | 681,414 | 374,647 | 306,767 |
| Total | <u>\$ 4,982,508</u> | <u>\$ 4,678,515</u> | <u>\$ 303,993</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 \$4,141,992, while total fund balance was \$4,301,094. 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 28.3% of total general fund disbursements, while total fund balance represents 29.4% of that same amount.

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

| Revenues | 2009 Amount | 2008 Amount | Percentage Change |
|---------------------------|----------------------|----------------------|----------------------|
| Taxes | \$ 6,862,338 | \$ 7,548,512 | -9% |
| Payments in Lieu of Taxes | 52,946 | 81,817 | -35% |
| Intergovernmental | 7,111,159 | 6,416,901 | 11% |
| Tuition and Fees | 669,038 | 756,827 | -12% |
| Other | 100,543 | 231,183 | -57% |
| Total | <u>\$ 14,796,024</u> | <u>\$ 15,035,240</u> | -2% |

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

This significant decrease in taxes is the result of the poor economic conditions in the District, rising delinquent taxes, and the phase-out of the personal property tax. The increase to grants and entitlements receipts is due to the District receiving approximately \$.6 million more in foundation receipts during 2009 as compared to 2008.

| Disbursements by Function | 2009 Amount | 2008 Amount | Percentage Change |
|-----------------------------|----------------------|----------------------|----------------------|
| Instruction | \$ 8,296,234 | \$ 7,748,725 | 7% |
| Support Services | 5,427,188 | 4,971,373 | 9% |
| Extracurricular Activities | 381,468 | 362,698 | 5% |
| Principal Retirement | 490,577 | 433,781 | 13% |
| Interest and Fiscal Charges | 45,331 | 47,350 | -4% |
| Total | <u>\$ 14,640,798</u> | <u>\$ 13,563,927</u> | 8% |

The rising costs for instruction and support services, primarily salaries and fringe benefits, account for approximately 93% of the increase to disbursements in the general fund.

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 2009, the District did not amend its General Fund budget. Final budgeted receipts were the same as original budgeted receipts.

Final disbursements were budgeted at \$15,486,198 while actual disbursements were \$15,162,907.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2009, the District's outstanding debt consisted mainly of energy conservation bonds and capital leases for facilities and equipment. At June 30, 2009, the School District had \$615,000 in bonds and \$42,325 in capital leases outstanding which is a \$133,577 reduction in debt from the prior period. For further information regarding the District's debt, refer to Notes 11, 12 and 13 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

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 - CASH BASIS
AS OF JUNE 30, 2009**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 4,973,784 |
| Beneficial Interest in Assets Held by Others | 8,503 |
| Cash with Fiscal Agent | 221 |
| Total Assets | <u>4,982,508</u> |
| | |
| Net Assets | |
| Restricted for: | |
| Capital Projects | 133,450 |
| Unexpended Grants | 124,370 |
| Other Purposes | 124,982 |
| Unrestricted | 4,599,706 |
| Total Net Assets | <u><u>\$ 4,982,508</u></u> |

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

| | | Program Receipts | | Net (Disbursement)/ Receipt and Changes in Net Assets |
|---|-------------------------------------|---|---|---|
| | <u>Cash</u> <u>Disbursements</u> | <u>Charges for</u> <u>Services and Sales</u> | <u>Operating Grants</u> <u>and Contributions</u> | <u>Governmental</u> <u>Activities</u> |
| Governmental Activities | | | | |
| Instruction | | | | |
| Regular | \$ 6,150,215 | \$ 546,239 | \$ 72,324 | \$ (5,531,652) |
| Special | 1,284,642 | 87,828 | 702,648 | (494,166) |
| Vocational | 80,333 | 6,478 | 22,736 | (51,119) |
| Adult/Continuing | 25,623 | - | 23,643 | (1,980) |
| Other Instruction | 1,122,216 | 89,841 | 7,128 | (1,025,247) |
| Support Services | | | | |
| Pupils | 891,866 | - | 152,671 | (739,195) |
| Instructional Staff | 585,848 | - | 202,295 | (383,553) |
| Board of Education | 52,460 | - | 720 | (51,740) |
| Administration | 1,317,453 | 25,929 | 1,495 | (1,290,029) |
| Fiscal Services | 828,126 | - | 122 | (828,004) |
| Operation and Maintenance | 1,456,839 | 10 | 103,754 | (1,353,075) |
| Pupil Transportation | 976,053 | - | 480,602 | (495,451) |
| Central | 38,373 | - | - | (38,373) |
| Non-instructional Services | 702,105 | 375,658 | 373,354 | 46,907 |
| Extra Curricular Activities | 601,832 | 183,880 | 5,980 | (411,972) |
| Principal Retirement | 490,577 | 357,000 | - | (133,577) |
| Interest and Fiscal Charges | 45,331 | - | - | (45,331) |
| Total Governmental Activities | \$ 16,649,892 | \$ 1,672,863 | \$ 2,149,472 | \$ (12,827,557) |
| General Receipts | | | | |
| Property Taxes | | | | 4,170,105 |
| Income Taxes | | | | 2,692,233 |
| Payments in Lieu of Taxes | | | | 52,946 |
| Grants & Entitlements not Restricted to Specific Programs | | | | 6,111,825 |
| Investment Earnings | | | | 51,629 |
| Miscellaneous | | | | 52,812 |
| Total General Receipts | | | | 13,131,550 |
| Change in Net Assets | | | | 303,993 |
| Net Assets Beginning of Year | | | | 4,678,515 |
| Net Assets End of Year | | | | \$ 4,982,508 |

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2009**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|--------------------------------|--------------------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 4,301,094 | \$ 672,690 | \$ 4,973,784 |
| Beneficial Interest in Assets Held by Others | - | 8,503 | 8,503 |
| Cash with Fiscal Agent | - | 221 | 221 |
| Total Assets | 4,301,094 | 681,414 | 4,982,508 |
| Fund Balances: | | | |
| Reserved/Designated: | | | |
| Reserved for Encumbrances | 7,109 | 268,745 | 275,854 |
| Designated for Budget Stabilization | 151,993 | - | 151,993 |
| Unreserved, Reported in: | | | |
| General Fund | 4,141,992 | - | 4,141,992 |
| Debt Service Fund | - | 4,928 | 4,928 |
| Special Revenue Funds | - | 524,947 | 524,947 |
| Capital Project Funds | - | (117,206) | (117,206) |
| Total Fund Balances | \$ 4,301,094 | \$ 681,414 | \$ 4,982,508 |

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| Receipts: | | | |
| Property Taxes | \$ 4,170,105 | \$ - | \$ 4,170,105 |
| Income Taxes | 2,692,233 | - | 2,692,233 |
| Payments in Lieu of Taxes | 52,946 | - | 52,946 |
| Intergovernmental | 7,111,159 | 1,037,758 | 8,148,917 |
| Interest | 47,731 | 3,898 | 51,629 |
| Tuition and Fees | 669,038 | 77,695 | 746,733 |
| Extracurricular Activities | - | 170,687 | 170,687 |
| Food Service | - | 355,889 | 355,889 |
| Donations | - | 112,380 | 112,380 |
| Other Receipts | 52,812 | 42,554 | 95,366 |
| Total Receipts | 14,796,024 | 1,800,861 | 16,596,885 |
| Disbursements: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 6,012,766 | 137,449 | 6,150,215 |
| Special | 1,089,084 | 195,558 | 1,284,642 |
| Vocational | 80,333 | - | 80,333 |
| Adult/Continuing | - | 25,623 | 25,623 |
| Other | 1,114,051 | 8,165 | 1,122,216 |
| Support services: | | | |
| Pupils | 735,458 | 156,408 | 891,866 |
| Instructional staff | 383,346 | 202,502 | 585,848 |
| Board of Education | 51,721 | 739 | 52,460 |
| Administration | 1,285,659 | 31,794 | 1,317,453 |
| Fiscal | 823,993 | 4,133 | 828,126 |
| Operation and Maintenance of Plant | 1,138,715 | 318,124 | 1,456,839 |
| Pupil Transportation | 969,923 | 6,130 | 976,053 |
| Central | 38,373 | - | 38,373 |
| Non-instructional Services | - | 702,105 | 702,105 |
| Extracurricular Activities | 381,468 | 220,364 | 601,832 |
| Debt service: | | | |
| Principal Retirement | 490,577 | - | 490,577 |
| Interest and Fiscal Charges | 45,331 | - | 45,331 |
| Total Disbursements | 14,640,798 | 2,009,094 | 16,649,892 |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | 155,226 | (208,233) | (53,007) |
| Other financing sources: | | | |
| Proceeds from Notes | 357,000 | - | 357,000 |
| Transfers In | - | 515,000 | 515,000 |
| Transfers Out | (515,000) | - | (515,000) |
| Total other financing sources | (158,000) | 515,000 | 357,000 |
| Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses | (2,774) | 306,767 | 303,993 |
| Fund Balance at Beginning of Year | 4,303,868 | 374,647 | 4,678,515 |
| Fund Balance at End of Year | \$ 4,301,094 | \$ 681,414 | \$ 4,982,508 |

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, 2009**

| | Original Budget | Final Budget | Actual | Variance Over/(Under) |
|--|----------------------|----------------------|----------------------|--------------------------|
| Receipts: | | | | |
| Property Taxes | \$ 4,700,000 | \$ 4,700,000 | 4,170,105 | \$ (529,895) |
| Income Taxes | 2,200,000 | 2,200,000 | 2,692,233 | 492,233 |
| Payments in Lieu of Taxes | 100,000 | 100,000 | 52,946 | (47,054) |
| Intergovernmental | 6,935,000 | 6,935,000 | 7,111,159 | 176,159 |
| Interest | 115,000 | 115,000 | 47,731 | (67,269) |
| Tuition and Fees | 780,500 | 780,500 | 669,038 | (111,462) |
| Other | 44,500 | 44,500 | 52,812 | 8,312 |
| Total Revenues | \$ 14,875,000 | \$ 14,875,000 | \$ 14,796,024 | \$ (78,976) |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,297,890 | 6,297,890 | 6,016,426 | 281,464 |
| Special | 1,080,125 | 1,080,125 | 1,089,084 | (8,959) |
| Vocational | 50,542 | 50,542 | 80,333 | (29,791) |
| Other | 935,403 | 935,403 | 1,114,051 | (178,648) |
| Support Services: | | | | |
| Pupils | 751,637 | 662,407 | 735,458 | (73,051) |
| Instructional Staff | 415,531 | 415,531 | 384,232 | 31,299 |
| Board of Education | 60,375 | 60,375 | 51,721 | 8,654 |
| Administration | 1,328,019 | 1,328,019 | 1,286,554 | 41,465 |
| Fiscal | 905,432 | 905,432 | 824,761 | 80,671 |
| Operation and Maintenance of Plant | 1,091,576 | 1,091,576 | 1,139,615 | (48,039) |
| Pupil Transportation | 867,068 | 867,068 | 969,923 | (102,855) |
| Central | 38,670 | 38,670 | 38,373 | 297 |
| Extracurricular Activities | 381,920 | 381,920 | 381,468 | 452 |
| Debt Service: | | | | |
| Principal Retirement | 90,000 | 530,577 | 490,577 | 40,000 |
| Interest and Fiscal Charges | 40,000 | 45,663 | 45,331 | 332 |
| Total Expenditures | 14,334,188 | 14,691,198 | 14,647,907 | 43,291 |
| Excess of Receipts Over (Under) Expenditures | 540,812 | 183,802 | 148,117 | (35,685) |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Notes | - | - | 357,000 | 357,000 |
| Transfers In | 25,000 | 25,000 | - | (25,000) |
| Transfers Out | (675,000) | (675,000) | (515,000) | 160,000 |
| Advances In | 25,000 | 25,000 | - | (25,000) |
| Advances - Out | (120,000) | (120,000) | - | 120,000 |
| Total Other Financing Sources (Uses) | (745,000) | (745,000) | (158,000) | 587,000 |
| Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (204,188) | (561,198) | (9,883) | 551,315 |
| Fund Balances at Beginning of Year, Restated | 4,172,154 | 4,172,154 | 4,172,154 | - |
| Prior Year Encumbrances Appropriated | 131,714 | 131,714 | 131,714 | - |
| Fund Balances at End of Year | \$ 4,099,680 | \$ 3,742,670 | \$ 4,293,985 | \$ 551,315 |

Note: The beginning balance has been restated to remove prior year encumbrances totaling \$128,413.

See accompanying notes to the basic financial statements.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2009

| | Agency Funds |
|---------------------------|-------------------------|
| Assets: | |
| Cash and Cash Equivalents | <u>\$ 52,197</u> |
| Total Assets | <u><u>52,197</u></u> |
| Net Assets | |
| Restricted Net Assets | <u>52,197</u> |
| Total Net Assets | <u><u>\$ 52,197</u></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, 2009

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 93 classified employees and 140 certified teaching personnel who provide services to 1,750 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.

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.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 1 - Reporting Entity (continued)

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 the cash basis of accounting. This 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 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 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.

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 the cash basis or draws from the School District's general receipts.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. 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.

As a result of the use of this 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 money market funds, 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, 2009.

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 2009 was \$47,731. Interest receipts were also credited to the scholarship fund and the Toledo community foundation fund in the amounts of \$2,349 and \$1,549, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 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 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 federal and state grants and other local funding 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.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves/Designations

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 and budget stabilization.

Designated fund balance indicates the portion of fund balance for which management has an intended use of the resource. The amount set-aside by the Board for Budget Stabilization is reported as a designation.

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 the 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.

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. The District was not in noncompliance as six funds (003, 009, 516, 572, 584, and 590) had appropriations in excess of total estimated resources in the amount of \$242,427, \$38,989, \$32,798, \$2,066, \$5,502, and \$29,538, respectively.

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The District was not in compliance as nine funds (003, 004, 009, 019, 200, 450, 572, 584, and 590) had appropriations exceeding actual resources in the amount of \$143,663, \$1,257,058, \$18,963, \$1,538, \$9,104, \$14,536, \$5,964, \$2,167, and \$42,705, respectively.

Ohio Revised Code Section 5705.10 states money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund. The District was in noncompliance as funds 003 and 009 carried negative fund balances throughout the year. Neither fund had a negative balance at year-end.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

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

| | |
|--------------|----------|
| General Fund | \$ 7,109 |
|--------------|----------|

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;

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 – Deposits and Investments (continued)

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).
8. Commercial paper and bankers acceptances if training requirements have been met.

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 \$3,252,690 and the bank balance was \$3,578,807. Of the bank balance, \$3,021,667 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 \$221 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

At June 30, 2009, the School District had the following investments:

| | Fair Value | Maturity in Years | | Percent to Total |
|----------------------|---------------------|---------------------|-------------|---------------------|
| | | Less than 1 | 1 to 3 | |
| STAROhio | \$ 1,759,991 | \$ 1,759,991 | \$ - | 99.44% |
| Money Market Account | 10,000 | 10,000 | - | 0.56% |
| Total | <u>\$ 1,769,991</u> | <u>\$ 1,769,991</u> | <u>\$ -</u> | <u>100.00%</u> |

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.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 – Deposits and Investments (continued)

STAR Ohio carries a rating of AAAm by Standard and Poor's and the money market funds are not rated. 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

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 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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 revenue received in calendar 2009 (other than public utility property tax) represents the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for calendar year 2008 was 12.5 percent. This was reduced to zero for calendar year 2009. Payments 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 District prior to June 30.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 6 - Property Taxes (continued)

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2009 taxes were collected are:

| | 2008 Second - Half Collections | | 2009 First- Half Collections | |
|--|-----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/ Residential and Other Real Estate | \$209,929,260 | 91.99% | \$209,692,910 | 96.48% |
| Public Utility Personal | 7,745,940 | 3.39% | 7,488,110 | 3.45% |
| Tangible Personal Property | 10,526,400 | 4.62% | 168,800 | 0.07% |
| Total | \$228,201,600 | 100.00% | \$217,349,820 | 100.00% |
| Full 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 $\frac{3}{4}$ 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 2009, the School District contracted with various companies for the following insurance coverage:

| | |
|--|--------------|
| Building and Contents - Replacement Cost | \$35,190,135 |
| Automobile Liability | 3,000,000 |
| General Liability | |
| Per Occurrence | 3,000,000 |
| Aggregate | 5,000,000 |

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

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 (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$257,334, \$249,310, and \$224,496, respectively, equal to the required contributions for each year.

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, 2009, 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, 2009, 2008, and 2007, were \$952,985, \$962,459, and \$839,244, 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, 2009, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 – Post-Employment Benefits

School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Note 10 – Post-Employment Benefits (continued)

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The District's contributions for the years ended June 30, 2009, 2008 and 2007 were \$13,786, \$10,402, and \$10,222, respectively, equal to the required contributions for each year.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$76,465, \$59,122, and \$72,854, respectively, equal to the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 10 – Post-Employment Benefits (continued)

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2008 and June 30, 2007, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.7 billion on June 30, 2008. For the fiscal year ended June 30, 2008 (latest available), net health care costs paid by STRS Ohio were \$288,878,000 and there were 126,506 eligible benefit recipients.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The District's contributions for the years ended June 30, 2009, 2008, and 2007 were \$68,070, \$68,747, and \$59,922, respectively.

Note 11 - Notes Payable

The changes in the School District's notes payable during fiscal year 2009 were as follows:

| | Balance June 30, 2008 | Additions | Reductions | Balance June 30, 2009 |
|--------------------------------------|-----------------------------|-------------------|---------------------|-----------------------------|
| <u>Bond Anticipation Note</u> | | | | |
| 2008 Issue | \$ 357,000 | \$ - | \$ (357,000) | \$ - |
| 2009 Issue | \$ 0 | \$ 357,000 | \$ - | \$ 357,000 |
| Total | <u>\$ 357,000</u> | <u>\$ 357,000</u> | <u>\$ (357,000)</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, 2007, and 2008 the Note was rolled-over at 4.50%, 4.50%, and 2.75%, respectively. On June 1, 2009, the Note was rolled-over again at 2.50%. The bond anticipation note is backed by the full faith and credit of the School District and matures within one year.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 12 – Debt

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due in One Year |
|---|----------------------|------------------|---------------------|-------------------|---------------------------|
| Energy Conservation Bonds: Issued 7/04, matures 6/19 | 665,000 | - | (50,000) | 615,000 | 50,000 |
| Capital Leases ^^ | 82,973 | 125,902 | (126,590) | 82,285 | 39,959 |
| Total | <u>\$ 747,973</u> | <u>\$125,902</u> | <u>\$ (176,590)</u> | <u>\$ 697,285</u> | <u>\$ 89,959</u> |

^^ Beginning Balance was corrected to agree to updated capital leases entered into by the District during the previous and current fiscal year.

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:

| Year ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|-------------------|-------------------|
| 2010 | 50,000 | 27,813 | 77,813 |
| 2011 | 55,000 | 25,863 | 80,863 |
| 2012 | 55,000 | 23,635 | 78,635 |
| 2013 | 55,000 | 21,353 | 76,353 |
| 2014 | 60,000 | 18,933 | 78,933 |
| 2015-2019 | 340,000 | 51,296 | 391,296 |
| | <u>\$ 615,000</u> | <u>\$ 168,893</u> | <u>\$ 783,893</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, 2009, the District's total net debt was approximately .30% 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 \$89,230 to pay lease costs for the year ended June 30, 2009. Future lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2010 | \$ 44,415 |
| 2011 | 44,415 |
| | <u>\$ 88,830</u> |

Amount representing interest \$ 6,545

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 2009.

| | Textbook Reserve | Capital Acquisition | Budget Stabilization | Totals |
|---|---------------------|------------------------|-------------------------|---------------------|
| Set-aside cash balance as of June 30, 2008 | \$ (156,522) | \$ 130,036 | \$ 151,993 | \$ 125,507 |
| Current year set-aside requirements | 282,942 | 282,942 | - | 565,884 |
| Offsets | - | (500,000) | - | (500,000) |
| Qualifying disbursements | (334,667) | (72,776) | - | (407,443) |
| Set-aside reserved balance as of June 30, 2009 | <u>\$ (208,247)</u> | <u>\$ (159,798)</u> | <u>\$ 151,993</u> | <u>\$ (216,052)</u> |
| Set-aside balance carried forward to future fiscal years | <u>\$ (208,247)</u> | <u>-</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 designation to offset any budget deficit the School District may experience in future fiscal years.

Note 15 – Interfund Activity

During the fiscal year, an advance from the General Fund made to the emergency response special revenue fund was forgiven in the amount of \$2,550.

During the fiscal year, the District transferred from the General Fund \$500,000 to the permanent improvement fund and \$15,000 to the uniform school supplies fund to finance the operations in those funds not covered by financial resources.

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.

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.

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.

Upper Sandusky Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2009, wherein we noted that the District reports on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined 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 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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies 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 reasonably assuring 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 an opinion. The results of our tests disclosed four instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-1, 2009-2, 2009-3 and 2009-4.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one 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 22, 2009

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal program for the year ended June 30, 2009.

Internal Control over Compliance

The District's management 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 directly and materially affect 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, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for 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 22, 2009

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

| Federal grantor/Pass through grantor/Program title | Federal CFDA Number | Agency or pass through number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|---------------------------|-------------------------------------|-------------------|----------------------|-------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Pass-through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| School Breakfast Program | 10.553 | 045625-05PU | 30,114 | | 30,114 | |
| National School Lunch Program | 10.555 | 045625-LLP4 | 245,423 | 1,249 | 245,423 | 1,249 |
| Total U.S. Department of Agriculture | | | <u>275,537</u> | <u>1,249</u> | <u>275,537</u> | <u>1,249</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Pass-through Ohio Department of Education:</i> | | | | | | |
| Adult Education State Grant Program | 84.002 | 045625-ABS1 | 27,352 | | 29,643 | |
| Title I Grants to Local Education Agencies | 84.010 | 045625-C1S1 | 138,666 | | 128,745 | |
| Special Education-Grants to States | 84.027 | 045625-6BSF | 388,374 | | 389,489 | |
| Safe and Drug Free Schools and Communities | 84.186 | 045625-DRS1 | 7,128 | | 8,164 | |
| Innovative Education Program Strategies | 84.298 | 045625-C2S1 | 3,019 | | 2,941 | |
| Title II-D Technology Fund | 84.318 | 045625-TJS1 | 1,126 | | 1,126 | |
| Title II-A - Improving Teacher Quality | 84.367 | 045625-TRS1 | 63,224 | | 62,302 | |
| Total U.S. Department of Education | | | <u>628,889</u> | <u>-</u> | <u>622,410</u> | <u>-</u> |
| Total Receipts and Expenditures of Federal Awards | | | <u>\$ 904,426</u> | <u>\$ 1,249</u> | <u>\$ 897,947</u> | <u>\$ 1,249</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, 2009

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, 2009, the District had no significant food commodities in inventory.

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

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

JUNE 30, 2009

| |
|--|
| 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 Cluster CFDA # 84.027 CFDA # 84.173 (N/A) |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

JUNE 30, 2009

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

2009-1 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 cash basis of accounting, 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.

District's Response

The District is aware of the requirements to file financial statements in accordance with GAAP; however, after performing a cost-benefit analysis, the District has elected to prepare its financial statements utilizing the cash basis of accounting.

2009-2 NONCOMPLIANCE: APPROPRIATIONS EXCEEDINGS ESTIMATED RESOURCES

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

During our testing we noted the following funds had appropriations in excess of total estimated resources at June 30, 2009:

| <u>Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|-------------|----------------------------|-----------------------|---------------|
| 003 | \$257,573 | \$500,000 | \$242,427 |
| 009 | \$47,011 | \$86,000 | \$38,989 |
| 516 | \$313,570 | \$346,368 | \$32,798 |
| 572 | \$141,731 | \$143,797 | \$2,066 |
| 584 | (\$1,709) | \$3,793 | \$5,502 |
| 590 | \$46,853 | \$76,391 | \$29,538 |

We recommend the District file an amended certificate of estimated resources or amended appropriation measure when appropriations are expected to be greater than estimated resources to ensure that appropriations for the year do not exceed the estimated resources for the year.

District's Response

The District will file an Amended Certificate more often during the fiscal year to address the related issues.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

JUNE 30, 2009

2009-3 NONCOMPLIANCE: APPROPRIATIONS EXCEEDING ACTUAL RESOURCES

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During our testing we noted the following funds had appropriations in excess of total actual resources at June 30, 2009:

| <u>Fund</u> | <u>Actual Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|-------------|-------------------------|-----------------------|---------------|
| 003 | \$356,337 | \$500,000 | \$143,663 |
| 004 | \$2,942 | \$1,260,000 | \$1,257,058 |
| 009 | \$67,037 | \$86,000 | \$18,963 |
| 019 | \$3,962 | \$5,500 | \$1,538 |
| 200 | \$162,096 | \$171,200 | \$9,104 |
| 450 | \$464 | \$15,000 | \$14,536 |
| 572 | \$137,833 | \$143,797 | \$5,964 |
| 584 | \$1,626 | \$3,793 | \$2,167 |
| 590 | \$33,686 | \$76,391 | \$42,705 |

We recommend the District file an amended certificate of estimated resources as well as an amended appropriations measure when appropriations are expected to be greater than actual resources to ensure that appropriations for the year do not exceed the actual resources for the year.

District's Response

The District will file an Amended Certificate more often during the fiscal year to address the related issues.

2009-4 NONCOMPLIANCE: NEGATIVE FUND BALANCE

Ohio Revised Code Section 5705.10 states money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

During our testing we noted that funds 003 and 009 carried a negative fund balance throughout the year ranging from \$22,345 to \$388,460; however, neither fund had a negative balance at year end.

Although the District transferred funds near year end to avoid a negative fund balance at year end, we recommend the District implement monitoring procedures throughout the year capable of preventing such instances of noncompliance throughout the fiscal year, as required.

District's Response

The District will implement monitoring procedures capable of preventing the issues of this nature throughout the fiscal year.

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

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

JUNE 30, 2009

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2009

| <u>Fiscal Year</u> | <u>Finding Number</u> | <u>Finding Summary</u> | <u>Status</u> |
|--------------------|-----------------------|------------------------|--|
| 2008 | 2008-01 | Basis of Accounting | Not corrected. Repeated as finding 2009-1. |

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Kennedy Cottrell Richards LLC

December 22, 2009



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
MARCH 2, 2010