



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Sandusky Exempted Village School District, Wyandot County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

*Other Information*

We applied no procedures to Management's Discussion and Analysis or to the schedules of District's proportionate share of the net pension liabilities and contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 28, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's 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, 2015, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- The total net cash position of the District increased \$200,114 or 5.22% from fiscal year 2014.
- General cash receipts accounted for \$15,447,731 or 83.83% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,979,957 or 16.17% of total governmental activities cash receipts.
- The District had \$18,227,574 in cash disbursements related to governmental activities; \$2,979,957 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$15,447,731 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had cash receipts of \$16,493,788 in 2015. The cash disbursements and other financing uses of the general fund, totaled \$16,261,745 in 2015. The general fund's cash balance increased \$232,043 or 7.07% from 2014 to 2015.

**Using the Basic Financial Statements (BFS)**

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

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

**Reporting the District as a Whole**

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

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2015?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts

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

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

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

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

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

*Governmental Funds*

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

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

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

*Fiduciary Funds*

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Notes to the Financial Statements***

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

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the District's net pension liability.

**Government-Wide Financial Analysis**

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

The table below provides a summary of the District's net cash position at June 30, 2015 and June 30, 2014.

|                          | <b>Net Cash Position</b>           |                                    |
|--------------------------|------------------------------------|------------------------------------|
|                          | Governmental<br>Activities<br>2015 | Governmental<br>Activities<br>2014 |
| <u>Assets</u>            |                                    |                                    |
| Current assets           | \$ 4,034,198                       | \$ 3,834,084                       |
| <u>Net cash position</u> |                                    |                                    |
| Restricted               | 400,890                            | 337,699                            |
| Unrestricted             | <u>3,633,308</u>                   | <u>3,496,385</u>                   |
| Total net cash position  | <u>\$ 4,034,198</u>                | <u>\$ 3,834,084</u>                |

The total net cash position of the District increased \$200,114 which represents a 5.22% increase from fiscal year 2014. The balance of government-wide unrestricted net cash position of \$3,633,308 may be used to meet the government's ongoing obligations to citizens and creditors.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The table below shows the changes in net cash position for fiscal years 2015 and 2014.

|                                    | <b>Change in Net Cash Position</b> |                                    |
|------------------------------------|------------------------------------|------------------------------------|
|                                    | Governmental<br>Activities<br>2015 | Governmental<br>Activities<br>2014 |
|                                    | <u>2015</u>                        | <u>2014</u>                        |
| <b>Cash receipts:</b>              |                                    |                                    |
| Program cash receipts:             |                                    |                                    |
| Charges for services and sales     | \$ 1,232,759                       | \$ 1,231,840                       |
| Operating grants and contributions | <u>1,747,198</u>                   | <u>1,650,683</u>                   |
| Total program cash receipts        | <u>2,979,957</u>                   | <u>2,882,523</u>                   |
| General cash receipts:             |                                    |                                    |
| Taxes                              | 8,073,112                          | 7,921,398                          |
| Payments in lieu of taxes          | 5,408                              | 5,408                              |
| Grants and entitlements            | 6,908,823                          | 6,612,787                          |
| Sale of bonds                      | -                                  | 339,999                            |
| Premium on sale of bonds           | -                                  | 28,863                             |
| Sale of notes                      | 285,000                            | 321,000                            |
| Investment earnings                | 9,936                              | 6,924                              |
| Other                              | <u>165,452</u>                     | <u>169,688</u>                     |
| Total general cash receipts        | <u>15,447,731</u>                  | <u>15,406,067</u>                  |
| Total cash receipts                | <u>\$ 18,427,688</u>               | <u>\$ 18,288,590</u>               |

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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|   | <b>Change in Net Cash Position</b> |                            |
|---|------------------------------------|----------------------------|
|   | Governmental<br>Activities         | Governmental<br>Activities |
|   | 2015                               | 2014                       |
| <b>Cash disbursements:</b>              |                                    |                            |
| Instruction:                            |                                    |                            |
| Regular                                 | \$ 6,934,044                       | \$ 6,829,123               |
| Special                                 | 1,883,391                          | 1,825,835                  |
| Vocational                              | 128,284                            | 123,162                    |
| Other                                   | 1,321,390                          | 1,178,628                  |
| Support services:                       |                                    |                            |
| Pupil                                   | 672,638                            | 630,819                    |
| Instructional staff                     | 806,793                            | 762,226                    |
| Board of education                      | 59,083                             | 57,694                     |
| Administration                          | 1,547,344                          | 1,530,541                  |
| Fiscal                                  | 951,843                            | 1,037,669                  |
| Operations and maintenance              | 1,166,931                          | 1,135,172                  |
| Pupil transportation                    | 1,034,126                          | 868,955                    |
| Central                                 | 4,313                              | 3,342                      |
| Operation of non instructional services | 73,532                             | 73,812                     |
| Food service operations                 | 688,800                            | 705,598                    |
| Extracurricular                         | 613,188                            | 616,972                    |
| Debt service:                           |                                    |                            |
| Principal retirement                    | 331,000                            | 460,626                    |
| Interest and fiscal charges             | 10,874                             | 29,807                     |
| Payment to refunded bond escrow         | -                                  | 348,116                    |
| Bond issuance costs                     | -                                  | 20,746                     |
|   | <u>18,227,574</u>                  | <u>18,238,843</u>          |
| Total cash disbursements                |                                    |                            |
| Change in net cash position             | 200,114                            | 49,747                     |
| Net cash position at beginning of year  | <u>3,834,084</u>                   | <u>3,784,337</u>           |
| Net cash position at end of year        | <u>\$ 4,034,198</u>                | <u>\$ 3,834,084</u>        |

**Governmental Activities**

Governmental cash position increased by \$200,114 in fiscal year 2015 from fiscal year 2014. Total governmental disbursements of \$18,227,574 were offset by program receipts of \$2,979,957 and general cash receipts of \$15,447,731. Program receipts supported 16.35% of the total governmental disbursements. The largest governmental disbursements were instructional expenditures which totaled \$10,267,109 or 56.33% of total governmental expenditures.

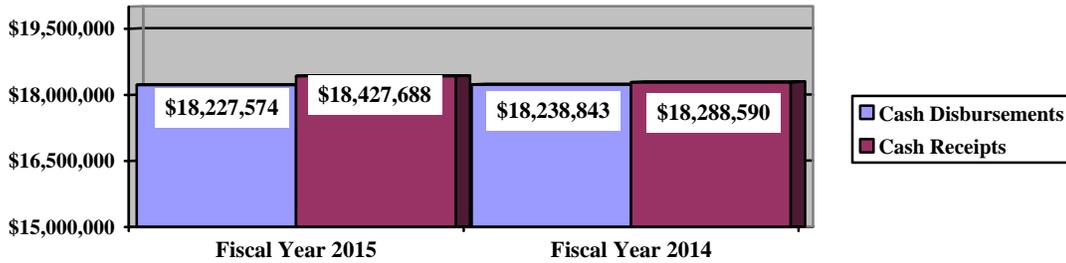
The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 81.30% of total governmental receipts. Real estate property is reappraised every six years.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2014 and 2015.

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



**Governmental Activities**

|   | Total Cost of<br>Services<br>2015 | Net Cost of<br>Services<br>2015 | Total Cost of<br>Services<br>2014 | Net Cost of<br>Services<br>2014 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Cash disbursements:</b>              |                                   |                                 |                                   |                                 |
| Instruction:                            |                                   |                                 |                                   |                                 |
| Regular                                 | \$ 6,934,044                      | \$ 6,249,785                    | \$ 6,829,123                      | \$ 6,231,550                    |
| Special                                 | 1,883,391                         | 704,421                         | 1,825,835                         | 705,875                         |
| Vocational                              | 128,284                           | 116,407                         | 123,162                           | 114,375                         |
| Other                                   | 1,321,390                         | 1,321,390                       | 1,178,628                         | 1,178,628                       |
| Support services:                       |                                   |                                 |                                   |                                 |
| Pupil                                   | 672,638                           | 621,515                         | 630,819                           | 549,572                         |
| Instructional staff                     | 806,793                           | 797,793                         | 762,226                           | 750,301                         |
| Board of education                      | 59,083                            | 59,083                          | 57,694                            | 57,694                          |
| Administration                          | 1,547,344                         | 1,536,887                       | 1,530,541                         | 1,511,923                       |
| Fiscal                                  | 951,843                           | 951,297                         | 1,037,669                         | 1,034,941                       |
| Operations and maintenance              | 1,166,931                         | 1,164,536                       | 1,135,172                         | 1,131,572                       |
| Pupil transportation                    | 1,034,126                         | 1,006,000                       | 868,955                           | 840,415                         |
| Central                                 | 4,313                             | 4,313                           | 3,342                             | 3,342                           |
| Operation of non instructional services | 73,532                            | (24,882)                        | 73,812                            | (21,738)                        |
| Food service operations                 | 688,800                           | (35,995)                        | 705,598                           | (4,375)                         |
| Extracurricular                         | 613,188                           | 433,193                         | 616,972                           | 412,950                         |
| Debt service:                           |                                   |                                 |                                   |                                 |
| Principal retirement                    | 331,000                           | 331,000                         | 460,626                           | 460,626                         |
| Interest and fiscal charges             | 10,874                            | 10,874                          | 29,807                            | 29,807                          |
| Payment to refunded bond escrow         | -                                 | -                               | 348,116                           | 348,116                         |
| Bond issuance costs                     | -                                 | -                               | 20,746                            | 20,746                          |
| <b>Total</b>                            | <u>\$ 18,227,574</u>              | <u>\$ 15,247,617</u>            | <u>\$ 18,238,843</u>              | <u>\$ 15,356,320</u>            |

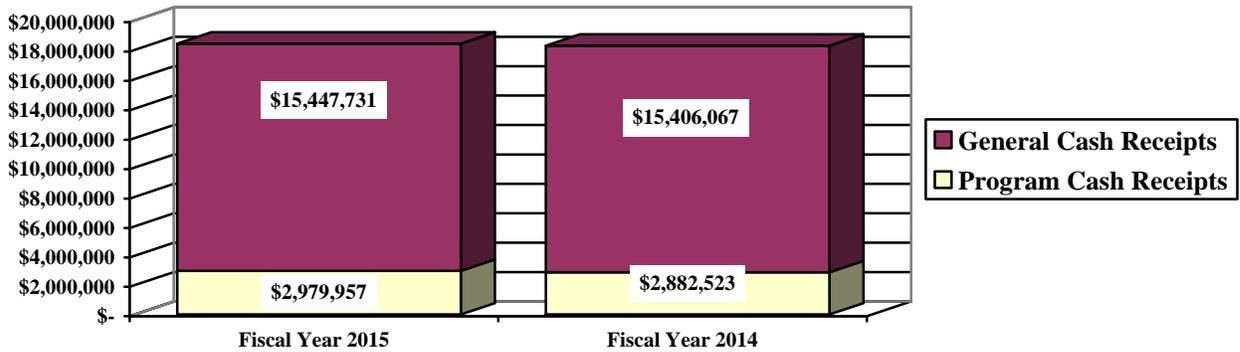
The dependence upon general cash receipts for governmental activities is apparent; with 83.65% of cash disbursements supported through taxes and other general cash receipts during 2015.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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The graph below presents the District's governmental activities cash receipts for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The District's governmental funds reported a combined fund balance of \$4,034,198, which is \$200,114 more than last year's total of \$3,834,084. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and June 30, 2014, for all major and nonmajor governmental funds.

|                                   | Fund Cash Balance<br>June 30, 2015 | Fund Cash Balance<br>June 30, 2014 | Increase<br>(Decrease) |
|-----------------------------------|------------------------------------|------------------------------------|------------------------|
| General                           | \$ 3,513,861                       | \$ 3,281,818                       | \$ 232,043             |
| Other nonmajor governmental funds | 520,337                            | 552,266                            | (31,929)               |
| <b>Total</b>                      | <b>\$ 4,034,198</b>                | <b>\$ 3,834,084</b>                | <b>\$ 200,114</b>      |

**General Fund**

The District's major fund is the general fund. The general fund had cash receipts of \$16,493,788 in fiscal year 2015. The cash disbursements and other financing uses of the general fund, totaled \$16,261,745 in fiscal year 2015. The general fund's cash balance increased \$232,043 or 7.07% from fiscal year 2014 to fiscal year 2015.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The table that follows assists in illustrating the cash receipts of the general fund.

|                              | <u>2015<br/>Amount</u> | <u>2014<br/>Amount</u> | <u>Percentage<br/>Change</u> |
|------------------------------|------------------------|------------------------|------------------------------|
| <b><u>Cash receipts:</u></b> |                        |                        |                              |
| Taxes                        | \$ 8,073,112           | \$ 7,921,398           | 1.92 %                       |
| Tuition                      | 650,518                | 639,477                | 1.73 %                       |
| Payments in lieu of taxes    | 5,408                  | 5,408                  | - %                          |
| Intergovernmental            | 7,518,884              | 7,153,507              | 5.11 %                       |
| Earnings on investments      | 9,936                  | 6,924                  | 43.50 %                      |
| Other revenues               | <u>235,930</u>         | <u>244,062</u>         | (3.33) %                     |
| Total                        | <u>\$ 16,493,788</u>   | <u>\$ 15,970,776</u>   | 3.27 %                       |

Overall cash receipts increased by \$523,012 or 3.27% during fiscal year 2015. Earnings on investment increased \$3,012 or 43.50% due to an increase in interest rates for the District's investments. All other revenue remained comparable to fiscal year 2014.

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

|                                  | <u>2015<br/>Amount</u> | <u>2014<br/>Amount</u> | <u>Percentage<br/>Change</u> |
|----------------------------------|------------------------|------------------------|------------------------------|
| <b><u>Cash Disbursements</u></b> |                        |                        |                              |
| Instruction                      | \$ 9,704,164           | \$ 9,453,199           | 2.65 %                       |
| Support services                 | 6,079,159              | 5,859,395              | 3.75 %                       |
| Extracurricular                  | 421,548                | 433,618                | (2.78) %                     |
| Debt service:                    |                        |                        |                              |
| Principal retirement             | 10,000                 | 103,626                | (90.35) %                    |
| Interest and fiscal charges      | <u>4,115</u>           | <u>12,511</u>          | (67.11) %                    |
| Total                            | <u>\$ 16,218,986</u>   | <u>\$ 15,862,349</u>   | 2.25 %                       |

Overall cash disbursements increased \$356,637 or 2.25% during fiscal year 2015. Principal retirement and interest and fiscal charges decreased by \$93,626 or 90.35% and \$8,396 or 67.11% respectively, primarily due to the District having a new energy bond refunding and making their last payment on a capital lease in fiscal year 2014. All other cash disbursements remained comparable to fiscal year 2014.

***Budgeting Highlights - General Fund***

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

For the general fund, final budgetary basis receipts and other financing sources of \$17,688,000 were the same as the original budget estimate of \$17,688,000. Actual cash receipts and other financing sources of \$16,452,426 were less than final budget estimates by \$1,235,574. The final budgetary basis disbursements and other financing uses of \$18,223,788 were the same as the original budget estimates. The actual budgetary basis disbursements and other financing uses of

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)

\$16,331,770 were \$1,892,018 less than the final budget estimates, mainly due to less transfers and operations and maintenance disbursements than budgeted.

**Capital Assets and Debt Administration**

*Capital Assets*

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

*Debt Administration*

The District had the following long-term obligations outstanding at June 30, 2015 and 2014:

|                                     | Governmental<br>Activities<br>2015 | Governmental<br>Activities<br>2014 |
|-------------------------------------|------------------------------------|------------------------------------|
|                                     | <u>2015</u>                        | <u>2014</u>                        |
| Energy conservation refunding bonds | \$ 290,000                         | \$ 300,000                         |
| Capital appreciation bonds          | 39,999                             | 39,999                             |
| Accreted interest                   | <u>19,090</u>                      | <u>2,105</u>                       |
| Total long-term obligations         | <u>\$ 349,089</u>                  | <u>\$ 342,104</u>                  |

**Current Financial Related Activities**

The District will be making significant changes to its health care plans effective January 1, 2016.

The Affordable Health Care Act is driving some of the changes, as well as the overall escalating financial cost to the District of the current health care plans.

The District also will have a two mil Permanent Improvement Levy on the Ballot in November of 2015. As of now, all Permanent Improvements are funded by the General Fund. If the Levy passes, it will give some financial relief to the General Fund.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>   |                                    |
| Equity in pooled cash and investments . . . . .        | \$ 4,017,744                       |
| Beneficial interest in assets held by others . . . . . | 16,454                             |
|  | 4,034,198                          |
| Total assets. . . . .                                  | \$ 4,034,198                       |
| <br><b>Net cash position:</b>                          |                                    |
| Restricted for:  |                                    |
| Capital projects . . . . .                             | \$ 2,942                           |
| Debt service. . . . .                                  | 7,182                              |
| Locally funded programs . . . . .                      | 685                                |
| State funded programs. . . . .                         | 63,300                             |
| Federally funded programs . . . . .                    | 9,027                              |
| Student activities . . . . .                           | 183,073                            |
| Other purposes . . . . .                               | 134,681                            |
| Unrestricted . . . . .                                 | 3,633,308                          |
| Total net cash position . . . . .                      | \$ 4,034,198                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | <b>Cash</b>          | <b>Program Receipts</b>   |                          | <b>Net (Disbursements)</b> |
|--|----------------------|---------------------------|--------------------------|----------------------------|
|  | <b>Disbursements</b> | <b>Charges for</b>        | <b>Operating Grants</b>  | <b>Receipts and</b>        |
|  |                      | <b>Services and Sales</b> | <b>and Contributions</b> | <b>Changes in</b>          |
|  |                      |                           |                          | <b>Net Cash Position</b>   |
|  |                      |                           |                          | <b>Governmental</b>        |
|  |                      |                           |                          | <b>Activities</b>          |
| <b>Governmental activities:</b>                        |                      |                           |                          |                            |
| Instruction:   |                      |                           |                          |                            |
| Regular . . . . .                                      | \$ 6,934,044         | \$ 625,975                | \$ 58,284                | \$ (6,249,785)             |
| Special . . . . .                                      | 1,883,391            | 83,209                    | 1,095,761                | (704,421)                  |
| Vocational . . . . .                                   | 128,284              | -                         | 11,877                   | (116,407)                  |
| Other . . . . .  | 1,321,390            | -                         | -                        | (1,321,390)                |
| Support services:                                      |                      |                           |                          |                            |
| Pupil. . . . .   | 672,638              | -                         | 51,123                   | (621,515)                  |
| Instructional staff . . . . .                          | 806,793              | -                         | 9,000                    | (797,793)                  |
| Board of education . . . . .                           | 59,083               | -                         | -                        | (59,083)                   |
| Administration. . . . .                                | 1,547,344            | 9,417                     | 1,040                    | (1,536,887)                |
| Fiscal. . . . .  | 951,843              | -                         | 546                      | (951,297)                  |
| Operations and maintenance . . . . .                   | 1,166,931            | 2,395                     | -                        | (1,164,536)                |
| Pupil transportation. . . . .                          | 1,034,126            | -                         | 28,126                   | (1,006,000)                |
| Central . . . . .                                      | 4,313                | -                         | -                        | (4,313)                    |
| Operation of non-instructional services:               |                      |                           |                          |                            |
| Other non-instructional services . . . . .             | 73,532               | -                         | 98,414                   | 24,882                     |
| Food service operations . . . . .                      | 688,800              | 352,703                   | 372,092                  | 35,995                     |
| Extracurricular activities. . . . .                    | 613,188              | 159,060                   | 20,935                   | (433,193)                  |
| Debt service:  |                      |                           |                          |                            |
| Principal retirement. . . . .                          | 331,000              | -                         | -                        | (331,000)                  |
| Interest and fiscal charges . . . . .                  | 10,874               | -                         | -                        | (10,874)                   |
| <b>Total governmental activities . . . . .</b>         | <b>\$ 18,227,574</b> | <b>\$ 1,232,759</b>       | <b>\$ 1,747,198</b>      | <b>(15,247,617)</b>        |
| <br><b>General cash receipts:</b>                      |                      |                           |                          |                            |
| Property taxes levied for:                             |                      |                           |                          |                            |
| General purposes . . . . .                             |                      |                           |                          | 5,041,692                  |
| Income taxes levied for:                               |                      |                           |                          |                            |
| General purposes . . . . .                             |                      |                           |                          | 3,031,420                  |
| Payments in lieu of taxes . . . . .                    |                      |                           |                          | 5,408                      |
| Grants and entitlements not restricted                 |                      |                           |                          |                            |
| to specific programs . . . . .                         |                      |                           |                          | 6,908,823                  |
| Sale of notes. . . . .                                 |                      |                           |                          | 285,000                    |
| Investment earnings . . . . .                          |                      |                           |                          | 9,936                      |
| Miscellaneous . . . . .                                |                      |                           |                          | 165,452                    |
| <b>Total general cash receipts . . . . .</b>           |                      |                           |                          | <b>15,447,731</b>          |
| <b>Change in net cash position. . . . .</b>            |                      |                           |                          | <b>200,114</b>             |
| <b>Net cash position at beginning of year. . . . .</b> |                      |                           |                          | <b>3,834,084</b>           |
| <b>Net cash position at end of year . . . . .</b>      |                      |                           |                          | <b>\$ 4,034,198</b>        |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

|   | <b>General</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------|--|---|
| <b>Assets:</b>  |                |  |   |
| Equity in pooled cash and investments . . . . .       | \$ 3,513,861   | \$ 503,883                                 | \$ 4,017,744                            |
| Beneficial interest in assets held by others. . . . . | -              | 16,454                                     | 16,454                                  |
| Total assets . . . . .                                | \$ 3,513,861   | \$ 520,337                                 | \$ 4,034,198                            |
| <br><b>Fund cash balances:</b>                        |                |  |   |
| Restricted:   |                |  |   |
| Debt service . . . . .                                | \$ -           | \$ 7,182                                   | \$ 7,182                                |
| Capital improvements . . . . .                        | -              | 2,942                                      | 2,942                                   |
| Food service operations . . . . .                     | -              | 118,227                                    | 118,227                                 |
| Non-public schools . . . . .                          | -              | 52,049                                     | 52,049                                  |
| Special education . . . . .                           | -              | 9,027                                      | 9,027                                   |
| Other purposes. . . . .                               | -              | 28,390                                     | 28,390                                  |
| Extracurricular. . . . .                              | -              | 183,073                                    | 183,073                                 |
| Committed:  |                |  |   |
| Capital improvements . . . . .                        | -              | 128,658                                    | 128,658                                 |
| Other purposes. . . . .                               | 11,000         | -  | 11,000                                  |
| Assigned:   |                |  |   |
| Student instruction . . . . .                         | 52,132         | -  | 52,132                                  |
| Student and staff support. . . . .                    | 67,854         | -  | 67,854                                  |
| School supplies . . . . .                             | 33,193         | -  | 33,193                                  |
| Other purposes. . . . .                               | 9,026          | -  | 9,026                                   |
| Subsequent Year Appropriations                        | 32,579         | -  | 32,579                                  |
| Unassigned (deficit) . . . . .                        | 3,308,077      | (9,211)                                    | 3,298,866                               |
| Total fund cash balances . . . . .                    | \$ 3,513,861   | \$ 520,337                                 | \$ 4,034,198                            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Cash receipts:</b>   |                     |  |   |
| From local sources:   |                     |  |   |
| Property taxes . . . . .  | \$ 5,041,692        | \$ -                                       | \$ 5,041,692                            |
| Income taxes . . . . .  | 3,031,420           | -  | 3,031,420                               |
| Payment in lieu of taxes . . . . .  | 5,408               | -  | 5,408                                   |
| Tuition . . . . .   | 650,518             | -  | 650,518                                 |
| Earnings on investments . . . . .   | 9,936               | 555  | 10,491                                  |
| Charges for services . . . . .  | -                   | 352,703                                    | 352,703                                 |
| Extracurricular . . . . .   | 228                 | 159,060                                    | 159,288                                 |
| Classroom materials and fees . . . . .  | 58,666              | -  | 58,666                                  |
| Rental income . . . . .   | 2,395               | -  | 2,395                                   |
| Contributions and donations . . . . .   | 13,633              | 650  | 14,283                                  |
| Other local revenues . . . . .  | 161,008             | 20,785                                     | 181,793                                 |
| Intergovernmental - state . . . . .   | 7,518,884           | 114,505                                    | 7,633,389                               |
| Intergovernmental - federal . . . . .   | -                   | 1,000,642                                  | 1,000,642                               |
| Total cash receipts . . . . .   | <u>16,493,788</u>   | <u>1,648,900</u>                           | <u>18,142,688</u>                       |
| <b>Cash disbursements:</b>  |                     |  |   |
| Current:  |                     |  |   |
| Instruction:  |                     |  |   |
| Regular . . . . .   | 6,877,175           | 56,869                                     | 6,934,044                               |
| Special . . . . .   | 1,377,315           | 506,076                                    | 1,883,391                               |
| Vocational . . . . .  | 128,284             | -  | 128,284                                 |
| Other . . . . .   | 1,321,390           | -  | 1,321,390                               |
| Support services:   |                     |  |   |
| Pupil . . . . .   | 625,163             | 47,475                                     | 672,638                                 |
| Instructional staff . . . . .   | 802,293             | 4,500                                      | 806,793                                 |
| Board of education . . . . .  | 59,083              | -  | 59,083                                  |
| Administration . . . . .  | 1,546,374           | 970  | 1,547,344                               |
| Fiscal . . . . .  | 951,729             | 114  | 951,843                                 |
| Operations and maintenance . . . . .  | 1,065,574           | 101,357                                    | 1,166,931                               |
| Pupil transportation . . . . .  | 1,024,630           | 9,496                                      | 1,034,126                               |
| Central . . . . .   | 4,313               | -  | 4,313                                   |
| Operation of non-instructional services:  |                     |  |   |
| Other operation of non-instructional . . . . .                                    | -                   | 73,532                                     | 73,532                                  |
| Food service operations . . . . .   | -                   | 688,800                                    | 688,800                                 |
| Extracurricular activities . . . . .  | 421,548             | 191,640                                    | 613,188                                 |
| Debt service:   |                     |  |   |
| Principal retirement . . . . .  | 10,000              | 321,000                                    | 331,000                                 |
| Interest and fiscal charges . . . . .   | 4,115               | 6,759                                      | 10,874                                  |
| Total cash disbursements . . . . .  | <u>16,218,986</u>   | <u>2,008,588</u>                           | <u>18,227,574</u>                       |
| Excess (deficiency) of cash receipts over (under)<br>cash disbursements . . . . . | <u>274,802</u>      | <u>(359,688)</u>                           | <u>(84,886)</u>                         |
| <b>Other financing sources (uses):</b>  |                     |  |   |
| Sale of notes . . . . .   | -                   | 285,000                                    | 285,000                                 |
| Transfers in . . . . .  | -                   | 42,759                                     | 42,759                                  |
| Transfers (out) . . . . .   | <u>(42,759)</u>     | <u>-</u>                                   | <u>(42,759)</u>                         |
| Total other financing sources (uses) . . . . .                                    | <u>(42,759)</u>     | <u>327,759</u>                             | <u>285,000</u>                          |
| Net change in cash fund balances . . . . .  | 232,043             | (31,929)                                   | 200,114                                 |
| <b>Fund cash balances at beginning of year . . . . .</b>                          | <u>3,281,818</u>    | <u>552,266</u>                             | <u>3,834,084</u>                        |
| <b>Fund cash balances at end of year . . . . .</b>                                | <u>\$ 3,513,861</u> | <u>\$ 520,337</u>                          | <u>\$ 4,034,198</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Budgetary basis receipts:</b>   |                         |                     |                     |   |
| From local sources:  |                         |                     |                     |   |
| Property taxes . . . . .   | \$ 6,015,000            | \$ 6,015,000        | \$ 5,041,692        | \$ (973,308)  |
| Income taxes. . . . .  | 3,100,000               | 3,100,000           | 3,031,420           | (68,580)  |
| Tuition. . . . .   | 735,000                 | 735,000             | 650,518             | (84,482)  |
| Earnings on investments . . . . .  | 7,000                   | 7,000               | 9,936               | 2,936   |
| Classroom materials and fees . . . . .   | 1,500                   | 1,500               | 594                 | (906)   |
| Rental income . . . . .  | 5,000                   | 5,000               | 2,395               | (2,605)   |
| Contributions and donations . . . . .  | 3,000                   | 3,000               | 13,260              | 10,260  |
| Other local revenues . . . . .   | 206,500                 | 206,500             | 157,227             | (49,273)  |
| Intergovernmental - state . . . . .  | 7,590,000               | 7,590,000           | 7,518,884           | (71,116)  |
| Total budgetary basis receipts. . . . .  | <u>17,663,000</u>       | <u>17,663,000</u>   | <u>16,425,926</u>   | <u>(1,237,074)</u>  |
| <b>Budgetary basis disbursements:</b>  |                         |                     |                     |   |
| Current:   |                         |                     |                     |   |
| Instruction:   |                         |                     |                     |   |
| Regular . . . . .  | 7,454,631               | 7,454,631           | 6,875,004           | 579,627   |
| Special. . . . .   | 1,383,005               | 1,383,005           | 1,396,502           | (13,497)  |
| Vocational. . . . .  | 124,393                 | 124,393             | 148,400             | (24,007)  |
| Other. . . . .   | 1,190,814               | 1,190,814           | 1,321,390           | (130,576)   |
| Support services:  |                         |                     |                     |   |
| Pupil. . . . .   | 625,982                 | 625,982             | 625,163             | 819   |
| Instructional staff . . . . .  | 813,633                 | 813,633             | 804,987             | 8,646   |
| Board of education . . . . .   | 78,300                  | 78,300              | 61,083              | 17,217  |
| Administration. . . . .  | 1,583,776               | 1,583,776           | 1,534,266           | 49,510  |
| Fiscal . . . . .   | 1,095,265               | 1,095,265           | 953,349             | 141,916   |
| Operations and maintenance. . . . .  | 1,648,171               | 1,648,171           | 1,081,833           | 566,338   |
| Pupil transportation . . . . .   | 1,008,625               | 1,008,625           | 1,044,458           | (35,833)  |
| Central. . . . .   | 3,375                   | 3,375               | 6,913               | (3,538)   |
| Extracurricular activities. . . . .  | 439,828                 | 439,828             | 421,548             | 18,280  |
| Debt service:  |                         |                     |                     |   |
| Principal . . . . .  | 114,429                 | 114,429             | 44,804              | 69,625  |
| Interest and fiscal charges. . . . .   | 9,561                   | 9,561               | 12,070              | (2,509)   |
| Total budgetary basis disbursements. . . . .                                       | <u>17,573,788</u>       | <u>17,573,788</u>   | <u>16,331,770</u>   | <u>1,242,018</u>  |
| Excess of budgetary basis receipts<br>over budgetary basis disbursements . . . . . | <u>89,212</u>           | <u>89,212</u>       | <u>94,156</u>       | <u>4,944</u>  |
| <b>Other financing sources (uses):</b>   |                         |                     |                     |   |
| Refund of prior year's expenditures . . . . .                                      | 25,000                  | 25,000              | 26,500              | 1,500   |
| Transfers (out). . . . .   | (650,000)               | (650,000)           | -                   | 650,000   |
| Total other financing sources (uses) . . . . .                                     | <u>(625,000)</u>        | <u>(625,000)</u>    | <u>26,500</u>       | <u>651,500</u>  |
| Net change in budgetary fund balance. . . . .                                      | (535,788)               | (535,788)           | 120,656             | 656,444   |
| <b>Fund cash balance at beginning of year . .</b>                                  | 2,861,437               | 2,861,437           | 2,861,437           | -   |
| <b>Prior year encumbrances appropriated . .</b>                                    | 358,563                 | 358,563             | 358,563             | -   |
| <b>Fund cash balance at end of year . . . . .</b>                                  | <u>\$ 2,684,212</u>     | <u>\$ 2,684,212</u> | <u>\$ 3,340,656</u> | <u>\$ 656,444</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2015

|   | <u>Private Purpose<br/>Trust</u> |                  |
|---|----------------------------------|------------------|
|   | <u>Scholarship</u>               | <u>Agency</u>    |
| <b>Assets:</b>                                |                                  |                  |
| Equity in pooled cash and investments . . . . | \$ 158,619                       | \$ 58,753        |
| <b>Net cash position:</b>                     |                                  |                  |
| Held in trust for scholarships . . . . .      | \$ 158,619                       | \$ -             |
| Due to students . . . . .                     | <u>-</u>                         | <u>58,753</u>    |
| Total net cash position . . . . .             | <u>\$ 158,619</u>                | <u>\$ 58,753</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | <b>Private Purpose<br/>Trust</b> |
|---|----------------------------------|
|   | <b>Scholarship</b>               |
| <b>Additions:</b>                                 |                                  |
| Interest. . . . .                                 | \$ 111                           |
| Gifts and contributions. . . . .                  | 1,619                            |
| Total additions. . . . .                          | 1,730                            |
| <b>Deductions:</b>                                |                                  |
| Scholarships awarded . . . . .                    | 8,669                            |
| Change in net position. . . . .                   | (6,939)                          |
| <b>Net cash position at beginning of year . .</b> | <b>165,558</b>                   |
| <b>Net cash position at end of year . . . . .</b> | <b>\$ 158,619</b>                |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1960 through the consolidation of existing land areas and school districts. The District serves an area of approximately 300 square miles. It is located in Wyandot, Marion and Crawford Counties and includes the entire City of Upper Sandusky. The District is staffed by 82 non-certified employees, 115 certified full-time teaching personnel and 9 administrative employees who provide services to 1,645 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the District paid Meta Solutions \$56,069 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Vanguard-Sentinel Career and Technology Centers

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

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

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

Wyandot-Crawford Health Benefit Plan

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*RELATED ORGANIZATION*

Upper Sandusky Community Public Library

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

**B. Basis of Accounting**

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*FIDUCIARY FUNDS*

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

**D. Basis of Presentation**

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

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

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

**E. Budgets**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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

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

**F. Cash and Investments**

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

During fiscal year 2015, investments were limited to nonnegotiable certificates of deposit, U.S. Treasury Note, federal agency securities, a U.S. Government money market fund and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2015.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$9,936, which includes \$1,417 assigned from other funds.

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

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

**G. Restricted Assets**

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

**H. Capital Assets**

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

**I. Inventory and Prepaid Items**

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

**J. Unpaid Vacation and Sick Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 11 and 12, employer contributions include portions for pension benefits and postretirement health care benefits.

**L. Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

result of a cash transaction, neither an other financing source nor a capital outlay disbursement are reported at inception. Lease payments are reported when paid.

**M. Interfund Activity**

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

**N. Net Cash Position**

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

**O. Fund Balance**

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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

**P. Stabilization Arrangement**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

**R. Parochial School**

Within the District's boundaries, St. Peter Elementary is operated through the Toledo Catholic Diocese. Current state legislation provides funding to the parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and disbursement of these State monies by the District are reflected as a special revenue fund for financial reporting purposes.

**S. Endowment**

The District is the sole beneficiary of an endowment fund held by the Toledo Community Foundation. The Toledo Community Foundation is a not-for-profit corporation organized exclusively for charitable, religious, educational, and scientific purposes. Funds held by the Toledo Community Foundation are disbursed to the District upon request and approval by the Board of Trustees. Since the endowment

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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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.

**T. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the District's pension plan disclosures, as presented in Note 11 to the financial statements, and added required supplementary information which is presented immediately following the Notes to the Basic Financial Statements.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

**B. Deficit Fund Cash Balances**

Fund cash balances at June 30, 2015 included the following individual fund deficits:

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Title I - disadvantaged children   | \$ 7,853       |
| Improving teacher quality          | 1,358          |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Compliance**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$2,125 in undeposited cash on hand which is included as part of "equity in pooled cash and investments."

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$3,159,869. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$2,270,327 of the District's bank balance of \$3,296,223 was exposed to custodial risk as discussed below, while \$1,025,896 was covered by the Federal Deposit Insurance Corporation.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments.

**C. Investments**

As of June 30, 2015, the District had the following investments and maturities:

| Investment type                        | Carrying Value      | Investment maturities |                  |                 |                 |                        |
|--|---------------------|-----------------------|------------------|-----------------|-----------------|------------------------|
|  |                     | 6 months or less      | 7 to 12 months   | 13 to 18 months | 19 to 24 months | Greater than 24 months |
| STAR Ohio                              | \$ 566,126          | \$ 566,126            | \$ -             | \$ -            | \$ -            | \$ -                   |
| US Government money market mutual fund | 2,231               | 2,231                 | -                | -               | -               | -                      |
| FHLB                                   | 99,999              | -                     | -                | -               | -               | 99,999                 |
| U.S. Treasury note                     | 25,000              | 25,000                | -                | -               | -               | -                      |
| FHLMC                                  | 294,991             | -                     | -                | -               | -               | 294,991                |
| FNMA                                   | 84,775              | -                     | 49,984           | -               | -               | 34,791                 |
| <b>Total</b>                           | <b>\$ 1,073,122</b> | <b>\$ 593,357</b>     | <b>\$ 49,984</b> | <b>\$ -</b>     | <b>\$ -</b>     | <b>\$ 429,781</b>      |

The weighted average maturity of investments is 0.74 years.

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

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

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

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

| <u>Investment type</u>                 | <u>Carrying value</u> | <u>% of total</u> |
|--|-----------------------|-------------------|
| STAR Ohio                              | \$ 566,126            | 52.75             |
| US Government money market mutual fund | 2,231                 | 0.21              |
| FHLB                                   | 99,999                | 9.32              |
| U.S. Treasury note                     | 25,000                | 2.33              |
| FHLMC                                  | 294,991               | 27.49             |
| FNMA                                   | <u>84,775</u>         | <u>7.90</u>       |
| Total investments                      | <u>\$ 1,073,122</u>   | <u>100.00</u>     |

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

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2015:

| <u>Cash per note</u>                               |                     |
|--|---------------------|
| Carrying amount of deposits                        | \$ 3,159,869        |
| Investments  | 1,073,122           |
| Beneficial interest in assets held by others       | 16,454              |
| Cash on hand                                       | <u>2,125</u>        |
| Total  | <u>\$ 4,251,570</u> |
| <br><u>Cash per statement of net cash position</u> |                     |
| Governmental activities                            | \$ 4,034,198        |
| Private-purpose trust                              | 158,619             |
| Agency fund  | <u>58,753</u>       |
| Total  | <u>\$ 4,251,570</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2015 consisted of the following, as reported on the fund financial statements:

| <u>Transfers from the general fund to:</u> | <u>Amount</u>    |
|--|------------------|
| Nonmajor governmental funds                | <u>\$ 42,759</u> |

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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

|   | 2014 Second<br>Half Collections |                | 2015 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 268,418,100                  | 96.64          | \$ 268,688,210                 | 96.59          |
| Public utility personal                           | <u>9,329,030</u>                | <u>3.36</u>    | <u>9,489,520</u>               | <u>3.41</u>    |
| Total   | <u>\$ 277,747,130</u>           | <u>100.00</u>  | <u>\$ 278,177,730</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$33.70                         |                | \$33.70                        |                |

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**NOTE 7 - INCOME TAXES**

On November 8, 2005, the District voters passed a .75% income tax levy for current expenses on the income of individuals and estates. On May 5, 2009 the District voters renewed the .75% income tax levy and passed a .50% increase for a total levy of 1.25%. The tax was effective on January 1, 2011, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund.

**NOTE 8 - NOTES PAYABLE**

The changes in the District's notes payable during fiscal year 2015 were as follows:

|                                 | Balance<br>Outstanding<br>June 30, 2014 | Additions         | Reductions          | Balance<br>Outstanding<br>June 30, 2015 |
|---------------------------------|---|-------------------|---------------------|---|
| <b>Governmental activities:</b> |   |                   |                     |   |
| Energy note - 2014              | \$ 321,000                              | \$ -              | \$ (321,000)        | \$ -                                    |
| Energy note - 2015              | -                                       | 285,000           | -                   | 285,000                                 |
| Total governmental activities   | <u>\$ 321,000</u>                       | <u>\$ 285,000</u> | <u>\$ (321,000)</u> | <u>\$ 285,000</u>                       |

On June 1, 2005, the District issued a short-term energy conversation improvement bond anticipation note in the amount of \$357,000. All note proceeds were spent in fiscal year 2005. On June 1, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014, the note was rolled-over at 4.50%, 4.50%, 2.75%, 2.50%, 3.00%, 1.00%, 0.85%, 1.00% and 1.00%, respectively. On April 29, 2015, the note was rolled-over again in the amount of \$285,000 at 1.00%. The bond anticipation note is backed in full faith and credit of the District and matures within one year.

**NOTE 9 - LONG-TERM OBLIGATIONS**

During the fiscal year 2015, the following changes occurred in the District's long-term obligations:

|                                 | Balance<br>Outstanding<br>June 30, 2014 | Additions        | Reductions         | Balance<br>Outstanding<br>June 30, 2015 | Amounts<br>Due in<br>One Year |
|---------------------------------|---|------------------|--------------------|---|-------------------------------|
| <b>Governmental activities:</b> |   |                  |                    |   |                               |
| Series 2014 refunding bonds     |   |                  |                    |   |                               |
| Current interest bonds          | \$ 300,000                              | \$ -             | \$ (10,000)        | \$ 290,000                              | \$ -                          |
| Capital appreciation bonds      | 39,999                                  | -                | -                  | 39,999                                  | 39,999                        |
| Accretion on capital bonds      | 2,105                                   | 16,985           | -                  | 19,090                                  | 19,090                        |
| Total governmental activities   | <u>\$ 342,104</u>                       | <u>\$ 16,985</u> | <u>\$ (10,000)</u> | <u>\$ 349,089</u>                       | <u>\$ 59,089</u>              |

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(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Series 2014 Energy Conservation Improvement Refunding Bonds - On April 10, 2014, the District issued series 2014 school energy conservation improvement refunding bonds to refund the callable portion of the series 2004 general obligation bonds (principal \$340,000). Issuance proceeds totaling \$348,116 were deposited with an escrow agent.

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$300,000 and \$39,999, respectively. The interest rate on the current interest bonds ranges from 0.50% to 1.70%. The current interest bonds mature on December 1, 2019 and will be retired through the general fund. The capital appreciation bonds mature on December 1, 2015 (interest rate yield of 3.20%) and December 1, 2018 (equivalent interest rate of 37.17%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$70,000 with \$30,001 representing interest that accretes over the term of the bonds. The total accreted interest on the capital appreciation bonds at June 30, 2015 is \$19,090.

This refunding was undertaken to reduce the combined total debt service payments over the next 6 years by \$15,441.

Principal and interest requirements to retire the energy conservation refunding bonds at June 30, 2015, are as follows:

| Fiscal<br>Year Ended | Current Interest Bonds |           |            | Capital Appreciation Bonds |           |           |
|----------------------|------------------------|-----------|------------|----------------------------|-----------|-----------|
|                      | Principal              | Interest  | Total      | Principal                  | Interest  | Total     |
| 2016                 | \$ -                   | \$ 4,090  | \$ 4,090   | \$ 39,999                  | \$ 30,001 | \$ 70,000 |
| 2017                 | 70,000                 | 3,705     | 73,705     | -                          | -         | -         |
| 2018                 | 70,000                 | 2,935     | 72,935     | -                          | -         | -         |
| 2019                 | 75,000                 | 1,913     | 76,913     | -                          | -         | -         |
| 2020                 | 75,000                 | 637       | 75,637     | -                          | -         | -         |
| Total                | \$ 290,000             | \$ 13,280 | \$ 303,280 | \$ 39,999                  | \$ 30,001 | \$ 70,000 |

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company

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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$25,043,178 (including available funds of \$7,182) and an unvoted debt margin of \$278,178.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted with various companies for the following insurance coverage:

|   |               |
|---|---------------|
| Buildings and contents - replacement cost | \$ 48,356,693 |
| 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.

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

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

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

**NOTE 11 - PENSION PLANS**

***Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions

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**NOTE 11 - PENSION PLANS - (Continued)**

Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|---|--|
| Full benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$266,084 for fiscal year 2015.

***Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)***

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For

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**NOTE 11 - PENSION PLANS - (Continued)**

members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$987,343 for fiscal year 2015.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to

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(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

the projected contributions of all participating entities. Following is information related to the proportionate share:

|  | <u>SERS</u> | <u>STRS Ohio</u> | <u>Total</u> |
|--|-------------|------------------|--------------|
| Proportionate share of the net pension liability | \$3,216,482 | \$16,555,598     | \$19,772,080 |
| Proportion of the net pension liability          | 0.06355500% | 0.06806432%      |              |

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

|  |  |
|--|--|
| Wage inflation                               | 3.25 percent   |
| Future salary increases, including inflation | 4.00 percent to 22 percent                                   |
| COLA or ad hoc COLA                          | 3 percent  |
| Investment rate of return                    | 7.75 percent net of investments expense, including inflation |
| Actuarial cost method                        | Entry age normal   |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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**NOTE 11 - PENSION PLANS - (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 1.00 %                       | 0.00 %  |
| US Stocks              | 22.50                        | 5.00  |
| Non-US Stocks          | 22.50                        | 5.50  |
| Fixed Income           | 19.00                        | 1.50  |
| Private Equity         | 10.00                        | 10.00   |
| Real Assets            | 10.00                        | 5.00  |
| Multi-Asset Strategies | 15.00                        | 7.50  |
| <br>                   |                              |   |
| Total                  | <u>100.00 %</u>              |   |

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$4,588,964            | \$3,216,482                         | \$2,062,106            |

**Actuarial Assumptions - STRS Ohio**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 2.75 percent   |
| Projected salary increases        | 2.75 percent at age 70 to 12.25 percent at age 20  |
| Investment rate of return         | 7.75 percent, net of investment expenses   |
| Cost-of-living adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic Equity      | 31.00 %                      | 8.00 %  |
| International Equity | 26.00                        | 7.85  |
| Alternatives         | 14.00                        | 8.00  |
| Fixed Income         | 18.00                        | 3.75  |
| Real Estate          | 10.00                        | 6.75  |
| Liquidity Reserves   | 1.00                         | 3.00  |
| Total                | <u>100.00 %</u>              |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$23,701,144           | \$16,555,598                        | \$10,512,871           |

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$42,826, \$30,101 and \$30,146, respectively; 100 percent has been contributed for fiscal year 2015, 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$13,589, \$14,156 and \$13,527, respectively; 100 percent has been contributed for fiscal year 2015, 2014 and 2013.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$70,184 and \$71,452, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

**Net Change in Fund Cash Balance**

|                             | General    |
|-----------------------------|------------|
| Cash basis                  | \$ 232,043 |
| Adjustment for encumbrances | (97,305)   |
| Funds budgeted elsewhere**  | (14,134)   |
| Budget basis                | \$ 120,604 |

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

**NOTE 15 - SET ASIDES**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**NOTE 15 - SET ASIDES - (Continued)**

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2014             | \$ -                            |
| Current year set-aside requirement          | 279,702                         |
| Current year qualifying expenditures        | <u>(467,303)</u>                |
| Total                                       | <u>\$ (187,601)</u>             |
| Balance carried forward to fiscal year 2016 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2015             | <u>\$ -</u>                     |

**NOTE 16 - OTHER COMMITMENTS**

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

|                             | <u>Year-End<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 98,326                        |
| Nonmajor governmental funds | <u>120,098</u>                   |
| Total                       | <u>\$ 218,424</u>                |

**NOTE 17 - SUBSEQUENT EVENT**

School District Foundation - funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS\*

|   | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|
| District's proportion of the net pension liability  | 0.06355500%  | 0.06355500%  |
| District's proportionate share of the net pension liability   | \$ 3,216,482 | \$ 3,779,412 |
| District's covered-employee payroll   | \$ 1,900,600 | \$ 1,846,779 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 169.24%      | 204.65%      |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 71.70%       | 65.52%       |

\* The amounts present each fiscal were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS\*

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
| District's proportion of the net pension liability  | 0.06806432%   | 0.06806432%   |
| District's proportionate share of the net pension liability   | \$ 16,555,598 | \$ 19,720,920 |
| District's covered-employee payroll   | \$ 7,052,450  | \$ 6,954,293  |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 234.75%       | 283.58%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 74.70%        | 69.30%        |

\* The amounts present each fiscal were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

|   | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|
| Contractually required contribution                                     | \$ 266,084   | \$ 258,549   |
| Contributions in relation to the<br>contractually required contribution | (266,084)    | (258,549)    |
| Contribution deficiency (excess)  | \$ -         | \$ -         |
| District's covered-employee payroll                                     | \$ 1,900,600 | \$ 1,846,779 |
| Contributions as a percentage of<br>covered-employee payroll            | 14.00%       | 14.00%       |

Note: Information prior to fiscal year 2014 was unavailable.

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST TWO FISCAL YEARS**

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
| Contractually required contribution                                  | \$ 987,343   | \$ 973,601   |
| Contributions in relation to the contractually required contribution | (987,343)    | (973,601)    |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         |
| District's covered-employee payroll                                  | \$ 7,052,450 | \$ 6,954,293 |
| Contributions as a percentage of covered-employee payroll            | 14.00%       | 14.00%       |

Note: Information prior to fiscal year 2014 was unavailable.

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

NOTES TO OTHER INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

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

**FEDERAL AWARD EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br>Program Title | Federal<br>CFDA<br>Number | <u>Disbursements</u>       |
|--|---------------------------|----------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                  |                           |                            |
| <i>Passed Through Ohio Department of Education:</i>                    |                           |                            |
| <u>Nutrition Cluster:</u>  |                           |                            |
| National School Lunch Program  |                           |                            |
| Non-Cash Assistance (Food Distribution)                                | 10.555                    | \$ 49,184                  |
| Cash Assistance  |                           | <u>297,664</u>             |
| Total National School Lunch Program                                    |                           | 346,848                    |
| School Breakfast Program   | 10.553                    | <u>67,328</u>              |
| Total U.S. Department of Agriculture                                   |                           | <u>414,176</u>             |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                    |                           |                            |
| <i>Passed Through Ohio Department of Education:</i>                    |                           |                            |
| Title I Grants to Local Educational Agencies                           | 84.010                    | 23,283                     |
| Title I Grants to Local Educational Agencies                           | 84.010                    | <u>203,391</u>             |
| Total Title I Grants to Local Educational Agencies                     |                           | 226,674                    |
| <u>Special Education Grant Cluster:</u>                                |                           |                            |
| Special Education Grants to States                                     | 84.027                    | 36,370                     |
| Special Education Grants to States                                     | 84.027                    | <u>283,424</u>             |
| Total Special Education Grants to States                               |                           | 319,794                    |
| Special Education Preschool Grants                                     | 84.173                    | 267                        |
| Special Education Preschool Grants                                     | 84.173                    | <u>8,743</u>               |
| Total Special Education Preschool Grants                               |                           | 9,010                      |
| Total Special Education Grant Cluster                                  |                           | <u>328,804</u>             |
| English Language Acquisition Grants                                    | 84.365                    | 2                          |
| English Language Acquisition Grants                                    | 84.365                    | <u>10,243</u>              |
| Total English Language Acquisition Grants                              |                           | 10,245                     |
| Improving Teacher Quality State Grants                                 | 84.367                    | 698                        |
| Improving Teacher Quality State Grants                                 | 84.367                    | <u>45,598</u>              |
| Total Improving Teacher Quality State Grants                           |                           | <u>46,296</u>              |
| Total U. S. Department of Education                                    |                           | <u>612,019</u>             |
| <b>Total Federal Award Expenditures Schedule</b>                       |                           | <u><u>\$ 1,026,195</u></u> |

*The accompanying notes are an integral part of this schedule.*

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

**NOTES TO THE FEDERAL AWARD EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Sandusky Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 28, 2016



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Upper Sandusky Exempted Village School District, Wyandot County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Basis for Qualified Opinion on Nutrition Cluster***

As described in finding 2015-002 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement applicable to its Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

### ***Qualified Opinion on Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Nutrition Cluster* paragraph, Upper Sandusky Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Nutrition Cluster* for the year ended June 30, 2015.

### ***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Upper Sandusky Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2015.

### ***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-002 to be a material weakness.

The District's response to our internal control over compliance findings is described in the accompanying schedule of findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Upper Sandusky Exempted Village School District  
Wyandot County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133  
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This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 28, 2016

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Qualified: Nutrition Cluster<br><br>Unqualified: Special Education Cluster   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510(a)?</b>   | Yes  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Special Education Cluster:<br>CFDA #84.027-Special Education Grants to States<br>CFDA #84.173- Special Education Preschool Grants<br>Nutrition Cluster:<br>CFDA #10.553 School Breakfast Program<br>CFDA #10.555 National School Lunch Program |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No   |

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

**FINDING NUMBER 2015-001**

**Noncompliance Citation**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

**Officials' Response:**

The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interest of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2015 and made the decision that the significant dollars saved, outweighed the benefit received.

**3. FINDINGS FOR FEDERAL AWARDS**

**Procurement**

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2015-002  |
| <b>CFDA Title and Number</b>       | National School Lunch Program CFDA #10.555 and;<br>School Breakfast Program CFDA # 10.553 |
| <b>Federal Award Number / Year</b> | 2015  |
| <b>Federal Agency</b>              | U.S Department of Agriculture   |
| <b>Pass-Through Agency</b>         | Ohio Department of Education  |

**Noncompliance and Material Weakness**

**7 CFR § 3016.36** provides federal procurement standards which are required for the National School Lunch and School Breakfast programs. The requirement provides that every procurement of food, supplies, including management company services, must be accomplished in a way that the school can document that everything possible and practical is done to maximize open and free competition and to get the lowest price for the desired product or service. All vendors with the potential for supplying a desired product or service must have an equal opportunity to be aware of the school's needs and submit price quotations or formal bids or proposals. A minimum of three quotations should be secured.

The District was unable to provide any support that bids or quotations were obtained for 41.7% of the disbursements sampled for the nutrition cluster. Failure to follow federal procurement standards was a result of inadequate policies and procedures over procurement for the nutrition cluster.

Failure to follow federal procurement standards could result in the District obtaining goods or services that are not the lowest price possible. We recommend the District follow the competitive bidding guidelines or small purchase procedures outlined by the Ohio Department of Education in the Office for Child Nutrition "Summary of Federal Procurement Standards" guidance.

**Officials' Response:**

See corrective action plan.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2014-001       | Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles. | No               | Not Corrected. Repeated in this report as finding 2015-001.  |
| 2014-002       | Ohio Rev. Code § 5705.10(E) for posting debt proceeds in the wrong fund.   | Yes              |  |

UPPER SANDUSKY LOCAL SCHOOL DISTRICT  
WYANDOT COUNTY

**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A -133 § .315 (c)**  
**JUNE 30, 2015**

| Finding Number | Planned Corrective Action  | Anticipated Completion Date | Responsible Contact Person             |
|----------------|--|-----------------------------|--|
| 2015-002       | All required bids and quotes will be obtained and documented. The documentation will be maintained and made available to the auditors. | 6/30/2016                   | Mike Courtad,<br>Food Service Director |



# Dave Yost • Auditor of State

UPPER SANDUSKY EXEMPTED VILLAGE SCHOOL DISTRICT

WYANDOT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 21, 2016