



**Auditor of State  
Betty Montgomery**



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Hicksville Exempted Village School District  
Defiance County  
105 East Smith Street  
Hicksville, Ohio 43526-1110

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Hicksville Exempted Village School District, Defiance County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hicksville Exempted Village School District, Defiance County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

February 7, 2003

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**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,182,174	\$96,514	\$155,422
Receivables:			
Property Taxes	2,164,195		143,288
Accounts	704		
Intergovernmental		5,452	
Accrued Interest	1,989		
Interfund Receivable	32,454		
Due From Other Funds	10		
Income Tax	243,260		
Materials and Supplies Inventory			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	83,766		
Fixed Assets			
Accumulated Depreciation			
<b>Other Debits:</b>			
Amount to be Provided From General Government Resources			
<b>Total Assets and Other Debits</b>	<b>\$3,708,552</b>	<b>\$101,966</b>	<b>\$298,710</b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$4,526	\$37,406			\$1,476,042
				2,307,483
347				1,051
9,693				15,145
				1,989
				32,454
				10
				243,260
4,162				4,162
				83,766
153,703		\$4,502,648		4,656,351
(52,292)				(52,292)
			\$630,754	630,754
<b>\$120,139</b>	<b>\$37,406</b>	<b>\$4,502,648</b>	<b>\$630,754</b>	<b>\$9,400,175</b>

(Continued)

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS JUNE 30, 2002  
(Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$3,032		
Accrued Wages and Benefits	554,313	\$17,386	
Compensated Absences Payable	8,843		
Interfund Payable		22,500	
Due to Other Funds		10	
Intergovernmental Payable	93,286	775	
Deferred Revenue	2,136,326	4,667	\$135,888
Due to Students			
	2,795,800	45,338	135,888
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	72,713	4,289	46,652
Reserved for Property Taxes	71,400		7,400
Reserved for Textbooks and Instructional Materials	83,766		
Unreserved, Undesignated	684,873	52,339	108,770
	912,752	56,628	162,822
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,708,552</b>	<b>\$101,966</b>	<b>\$298,710</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$145				\$3,177
17,446				589,145
15,317			\$595,356	619,516
8,454	\$1,500			32,454
				10
9,174			35,398	138,633
2,689				2,279,570
	35,906			35,906
53,225	37,406		630,754	3,698,411
		\$4,502,648		4,502,648
66,914				66,914
				123,654
				78,800
				83,766
				845,982
66,914		4,502,648		5,701,764
<b>\$120,139</b>	<b>\$37,406</b>	<b>\$4,502,648</b>	<b>\$630,754</b>	<b>\$9,400,175</b>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$3,633,507	\$224,129
Interest	53,839	
Tuition and Fees	102,371	
Rent	202	
Extracurricular Activities		125,454
Gifts and Donations		8,405
Income Tax	594,291	
Property and Other Local Taxes	1,450,602	
Miscellaneous	692	5,465
Total Revenues	<u>5,835,504</u>	<u>363,453</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	2,856,383	72,993
Special	539,271	104,200
Vocational	122,571	
Other	11,003	
Support Services:		
Pupils	179,448	41,610
Instructional Staff	362,411	34,910
Board of Education	29,108	
Administration	541,437	10,725
Fiscal	193,485	
Operation and Maintenance of Plant	474,725	
Pupil Transportation	204,274	
Central	178,903	5,091
Non-Instructional Services		
Extracurricular activities	169,114	106,611
Capital Outlay	2,214	
Total Expenditures	<u>5,864,347</u>	<u>376,140</u>
Excess of Revenues Over (Under) Expenditures	<u>(28,843)</u>	<u>(12,687)</u>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In	12,000	
Proceeds from Sale of Fixed Assets	12,471	
Refund of Prior Year Expenditures	1,920	1,315
Other Financing Sources	138	892
Operating Transfers Out	(486)	
Total Other Financing Sources and Uses	<u>26,043</u>	<u>2,207</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,800)</u>	<u>(10,480)</u>
Fund Balance at Beginning of Year	915,552	67,108
<b>Fund Balance at End of Year</b>	<u><b>\$912,752</b></u>	<u><b>\$56,628</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$35,491		\$3,893,127
		53,839
		102,371
		202
		125,454
36,839	\$2,100	47,344
		594,291
141,486		1,592,088
		6,157
<u>213,816</u>	<u>2,100</u>	<u>6,414,873</u>
67,771		2,997,147
2,128		645,599
		122,571
		11,003
		221,058
5,000		402,321
	2,100	31,208
		552,162
3,739		197,224
		474,725
28,058		232,332
		183,994
8,574		8,574
		275,725
34,906		37,120
<u>150,176</u>	<u>2,100</u>	<u>6,392,763</u>
<u>63,640</u>		<u>22,110</u>
		12,000
		12,471
		3,235
		1,030
(12,000)		(12,486)
<u>(12,000)</u>		<u>16,250</u>
51,640		38,360
111,182		1,205,024
<u><b>\$162,822</b></u>		<u><b>\$1,243,384</b></u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002

	<b>General</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$3,619,700	\$3,633,507	\$13,807
Interest	52,391	51,916	(475)
Tuition and Fees	105,352	102,101	(3,251)
Rent	200	202	2
Extracurricular Activities			
Gifts and Donations	1,000		(1,000)
Income Tax	572,097	572,097	
Property and Other Local Taxes	1,614,614	1,554,615	(59,999)
Miscellaneous	500	353	(147)
<b>Total Revenues</b>	<b>5,965,854</b>	<b>5,914,791</b>	<b>(51,063)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,944,992	2,844,329	100,663
Special	583,829	534,154	49,675
Vocational	128,798	121,251	7,547
Other	11,705	11,703	2
Support services:			
Pupils	165,982	157,367	8,615
Instructional Staff	370,255	355,096	15,159
Board of Education	31,430	29,108	2,322
Administration	556,168	527,751	28,417
Fiscal	212,561	199,835	12,726
Operation and Maintenance of Plant	533,280	476,049	57,231
Pupil Transportation	226,765	205,243	21,522
Central	229,307	219,061	10,246
Non-Instructional Services	815		815
Extracurricular activities	175,883	168,423	7,460
Capital Outlay	99,756	6,976	92,780
<b>Total Expenditures</b>	<b>6,271,526</b>	<b>5,856,346</b>	<b>415,180</b>
Excess of Revenues Over (Under) Expenditures	(305,672)	58,445	364,117
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	12,000	12,000	
Proceeds from Sale of Fixed Assets	12,471	12,471	
Refund of Prior Year Expenditures	15,000	1,920	(13,080)
Advances In	17,500	17,500	
Other Financing Sources	100	138	38
Operating Transfers Out	(500)	(486)	14
Advances Out	(22,500)	(22,500)	
Other Financing Uses	(798,812)		798,812
<b>Total Other Financing Sources and Uses</b>	<b>(764,741)</b>	<b>21,043</b>	<b>785,784</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,070,413)	79,488	1,149,901
Fund Balance at Beginning of Year	1,046,284	1,046,284	
Prior Year Encumbrances Appropriated	72,935	72,935	
<b>Fund Balance at End of Year</b>	<b>\$48,806</b>	<b>\$1,198,707</b>	<b>\$1,149,901</b>

Special Revenue			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$171,704	\$138,096	(\$33,608)		\$35,491	\$35,491
123,662	125,375	1,713			
9,450	8,405	(1,045)	\$60,000	36,839	(\$23,161)
			158,000	151,149	(6,851)
6,650	5,465	(1,185)			
311,466	277,341	(34,125)	218,000	223,479	5,479
102,053	72,789	29,264	78,324	91,035	(12,711)
77,097	73,799	3,298	2,128	2,128	
4,642	2,991	1,651			
38,108	23,714	14,394	5,000	5,000	
14,779	11,973	2,806			
			3,746	3,740	6
			1,936		1,936
5,298	5,091	207	83,058	28,058	55,000
142,303	108,521	33,782	8,600	8,574	26
			89,272	58,294	30,978
384,280	298,878	85,402	272,064	196,829	75,235
(72,814)	(21,537)	51,277	(54,064)	26,650	80,714
1,339	1,316	(23)			
22,500	22,500				
892	892		(12,000)	(12,000)	
(17,500)	(17,500)				
7,231	7,208	(23)	(12,000)	(12,000)	
(65,583)	(14,329)	51,254	(66,064)	14,650	80,714
87,347	87,347		66,062	66,062	
19,207	19,207		28,058	28,058	
<b>\$40,971</b>	<b>\$92,225</b>	<b>\$51,254</b>	<b>\$28,056</b>	<b>\$108,770</b>	<b>\$80,714</b>

(Continued)

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

	Expendable Trust		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental			
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations	\$2,100	\$2,100	
Income Tax			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	2,100	2,100	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education	600	2,100	(\$1,500)
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay			
Total Expenditures	600	2,100	(1,500)
Excess of Revenues Over (Under) Expenditures	1,500		(1,500)
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Other Financing Uses			
Total Other Financing Sources and Uses			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,500		(1,500)
Fund Balance at Beginning of Year			
Prior Year Encumbrances Appropriated			
<b>Fund Balance at End of Year</b>	<b>\$1,500</b>		<b>(\$1,500)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



**Totals (Memorandum Only)**

<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$3,791,404	\$3,807,094	\$15,690
52,391	51,916	(475)
105,352	102,101	(3,251)
200	202	2
123,662	125,375	1,713
72,550	47,344	(25,206)
572,097	572,097	
1,772,614	1,705,764	(66,850)
7,150	5,818	(1,332)
<b>6,497,420</b>	<b>6,417,711</b>	<b>(79,709)</b>
3,125,369	3,008,153	117,216
663,054	610,081	52,973
128,798	121,251	7,547
11,705	11,703	2
170,624	160,358	10,266
413,363	383,810	29,553
32,030	31,208	822
570,947	539,724	31,223
216,307	203,575	12,732
535,216	476,049	59,167
309,823	233,301	76,522
234,605	224,152	10,453
9,415	8,574	841
318,186	276,944	41,242
189,028	65,270	123,758
<b>6,928,470</b>	<b>6,354,153</b>	<b>574,317</b>
<b>(431,050)</b>	<b>63,558</b>	<b>494,608</b>
12,000	12,000	
12,471	12,471	
16,339	3,236	(13,103)
40,000	40,000	
992	1,030	38
(12,500)	(12,486)	14
(40,000)	(40,000)	
<b>(798,812)</b>		<b>798,812</b>
<b>(769,510)</b>	<b>16,251</b>	<b>785,761</b>
(1,200,560)	79,809	1,280,369
1,199,693	1,199,693	
120,200	120,200	
<b>\$119,333</b>	<b>\$1,399,702</b>	<b>\$1,280,369</b>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002

	<b>Enterprise Funds</b>
<b>Operating Revenues</b>	
Sales	\$232,181
Total Operating Revenues	232,181
<b>Operating Expenses</b>	
Salaries	113,734
Fringe Benefits	40,786
Purchased Services	1,257
Materials and Supplies	211,708
Depreciation	10,342
Other	273
Total Operating Expenses	378,100
Operating Loss	(145,919)
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	35,398
Interest	37
Amounts Contributed from Other Funds	29,307
Federal and State Subsidies	86,465
Total Non-Operating Revenues	151,207
Net Income	5,288
Retained Earnings at Beginning of Year	61,626
<b>Retained Earnings at End of Year</b>	<b>\$66,914</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002

	<b>Enterprise</b>
<b>Increase in Cash and Cash Equivalents</b>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$232,266
Cash Payments to Suppliers for Goods and Service	(171,742)
Cash Payments for Contract Services	(1,257)
Cash Payments for Employee Services	(112,344)
Cash Payments for Employee Benefits	(37,068)
Other Cash Payments	(273)
Net Cash Used by Operating Activities	(90,418)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	84,701
Advance In	5,953
Net Cash Provided by Noncapital Financing Activities	90,654
<u>Cash Flows from Investing Activities:</u>	
Interest Received	37
Net Increase in Cash and Cash Equivalents	273
Cash and Cash Equivalents at Beginning of Year	4,253
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$4,526</b>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss	(\$145,919)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	10,342
Donated Commodities Used During the Year	35,398
(Increase) Decrease in Assets:	
Accounts Receivable	84
Material and Supplies Inventory	1,734
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	882
Intergovernmental Payable	3,474
Deferred Revenue	2,689
Accrued Wages and Benefits	753
Accounts Payable	145
Total Adjustments	55,501
<b>Net Cash Used by Operating Activities</b>	<b>(\$90,418)</b>

The food service fund consumed donated commodities with a value of \$35,398. The use of these commodities is reflected as an operating expense.

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Hicksville Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's four instructional/support facilities staffed by 34 non-certified and 67 certified full time teaching personnel who provide services to 1,048 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. 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, preschool 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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or 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 for the organization. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Northwestern Ohio Education Research Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 17 to the general-purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

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**A. Basis of Presentation - Fund Accounting**

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**2. Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities, which are similar to those, found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that

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periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

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

The Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The Enterprise funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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The modified accrual basis of accounting is followed for the governmental fund types, expendable trust funds and agency funds. The full accrual basis of accounting is followed by the enterprise funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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



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**C. Budgetary Data**

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. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002. Prior to year-end, the District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function

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appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District Treasurer is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The District has invested funds in the State Treasury Asset of Ohio (STAR Ohio) during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue of \$53,839 was credited to the General Fund. Notwithstanding Ohio statutes, \$11,466 of this amount would have otherwise been credited to other funds of the District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original

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maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts set aside for the purchase of textbooks and instructional materials. See Note 21 to these financial statements.

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The District maintains a capitalization threshold of \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of 5 to 20 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and

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revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

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

**Entitlements**

***General Fund***

- State Foundation Program
- School Bus Purchase

**Non-Reimbursable Grants**

***Special Revenue Funds***

- Professional Development Grant
- Educational Management Information System
- Disadvantaged Pupil Impact Aid Fund
- ONenet Network Connectivity
- Ohio SchoolNet Professional Development
- Textbook Subsidy
- Ohio Reads Program
- Summer School Subsidy
- Extended Learning Opportunity
- Safe Schools Hotline
- Eisenhower Grant
- Title VIB - Flow Through
- Title I
- Title VI
- Drug Free Schools
- Preschool Disabilities
- E-Rate
- Title VI-R

***Capital Projects Funds***

- School Net Plus
- School Net Technology Equity Grant
- Emergency Building Repair

**Reimbursable Grants**

***General Fund***

- Driver Education

***Proprietary Funds***

- National School Breakfast Program
- National School Lunch Program
- Government Donated Commodities

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**I. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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**M. Fund Balance Reserves**

The District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for property taxes, advances, encumbrances, and textbooks and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Estimates**

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

**O. Pass-Through Grants**

The Eisenhower and Title VI-B Special Revenue Funds are pass-through grants in which the Northwest Ohio Education Service Center is the primary recipient. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**P. Total Columns on General-Purpose Financial Statements**

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis), All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Basis), The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2002 follows:

	General	Special Revenue	Capital Projects
Budget Basis	\$79,488	(\$14,329)	\$14,650
Adjustments for:			
Revenue Accruals	(79,287)	86,112	(9,663)
Expenditure Accruals	(81,187)	(81,551)	1
Other Sources/Uses	5,000	(5,001)	
Encumbrances	73,186	4,289	46,652
GAAP Basis	<u>(\$2,800)</u>	<u>(\$10,480)</u>	<u>\$51,640</u>

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balance**

At June 30, 2002, the Food Service Fund (an Enterprise Fund Type) had a deficit cash fund balance of \$5,954, contrary to the requirements of the Revised Code. The General fund provides short-term loans (advances) to cover deficit fund cash balances. An interfund payable was recorded in the Food Service Fund to cover this overdraft. Also, an interfund receivable was recorded in the General Fund.

**B. Compliance**

The Uniform School Supplies Fund had a deficit balance for the months of September 2001 through April 2002 of up to \$35,386. Also, revenues of \$7,661 intended for the Permanent Improvements Fund were improperly recorded to the General Fund, contrary to the requirements of the Revised Code.

Fifteen percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, contrary to the requirements of the Revised Code.

At June 30, 2002, the District had unsecured deposits of \$198,519 at the Hicksville Bank, contrary to the requirements of the Revised Code.

**5. 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

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or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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.

Interim monies are to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The Ohio State Treasurer's investment pool (STAR Ohio);



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7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest ratings classifications by at least two nationally recognized rating agencies.

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

During fiscal year 2002, the District's investments were limited to STAR Ohio.

At fiscal year end, the District had \$345 in undeposited cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

**Deposits**

At fiscal year end, the carrying amount of the District's deposits was \$977,041 and the bank balance was \$1,383,495. \$201,082 of the bank balance was covered by federal depository insurance. \$1,182,413 was uninsured and uncollateralized. The securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, except for \$198,519 of deposits which were not insured or collateralized, contrary to Ohio Law.

**Investments**

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterpart's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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	Reported Amount	Fair Value
STAR Ohio, Unclassified	\$582,422	\$582,422

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,559,808	
Cash on Hand	(345)	
Investments:		
STAR Ohio	(582,422)	\$582,422
GASB Statement 3	\$977,041	\$582,422

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2002 taxes are based as follows:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other RE	\$57,406,120	76%	\$56,419,880	77%
Public Utility	5,352,430	8%	11,636,268	16%
Tangible Personal Property	12,023,059	16%	5,689,870	7%
Total Assessed Value	\$74,781,609	100%	\$73,746,018	100%
Tax rate per \$1,000 of assessed valuation	\$36.40		\$36.40	

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

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

The District receives property taxes from Defiance County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002 was \$78,800 and is recognized as revenue. \$71,400 was available to the general fund and \$7,400 was available to the capital projects fund.

**7. INCOME TAX**

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. 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 revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2002, consisted of taxes, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal receivables follows:

	Amounts
General Fund:	
Property Taxes	\$2,164,195
Accounts	704
Accrued Interest	1,989
Income Tax	243,260
Special Revenue Funds:	
Intergovernmental	5,452
Capital Project Funds:	
Property Taxes	143,288
Enterprise Funds:	
Accounts	347
Intergovernmental	9,693
Total	\$2,568,928

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**9. FIXED ASSETS**

A summary of the changes in General Fixed Assets Account Group is as follows:

	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
Land and land improvements	\$46,805			\$46,805
Buildings	3,000,478	\$34,906	\$22,633	3,012,751
Vehicles	935,252	181,262	187,782	928,732
Furniture, fixtures and equipment	509,291	64,008	58,939	514,360
Total	<u>\$4,491,826</u>	<u>\$280,176</u>	<u>\$269,354</u>	<u>\$4,502,648</u>

A summary of changes in the Enterprise Fund fixed assets is as follows:

	Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Furniture, fixtures and equipment	\$124,396	\$29,307		\$153,703
Accumulated depreciation	41,950	10,342		52,292
Total	<u>\$82,446</u>	<u>\$18,965</u>		<u>\$101,411</u>

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rate is 14% of annual covered payroll for fiscal year 2001, 5.46 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2002, 2001, and 1999 were \$38,119, \$28,104, and \$36,253 respectively; 53 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$19,136 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$309,543, \$277,999, and \$164,946 respectively; 85 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$54,032 represents the unpaid contribution for fiscal year 2002, and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. Effective, July 1, 2002, 1% of covered payroll will be allocated to the fund. The balance in the Health Care Reserve Fund was \$3.011 billion on June 30, 2002.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

The Ohio Revised Code gives School Employees Retirement System, (SERS) the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

For the District, amount to fund health care benefits, including the surcharge equaled \$71,647 during the 2002 fiscal year.

**12. OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn .38-vacation day per month worked, not to exceed five days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to .27 of the accumulated sick leave to a maximum of 60 days.

At June 30, 2002 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General Fund and Long-Term Obligation Account Group were \$8,843 and \$595,356 respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$15,317.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2002, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Compensated absences payable	\$607,776		\$12,420	\$595,356
SERS and SERS surcharge	33,921	\$1,477		35,398
Total	<u>\$641,697</u>	<u>\$1,477</u>	<u>\$12,420</u>	<u>\$630,754</u>

There was no debt outstanding at June 30, 2002.

**14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains three Enterprise Funds which provide lunchroom/cafeteria, uniform school supply and vocational/education services. Segment information for the year ended June 30, 2002 was as follows:

	Food Service	Uniform School Supplies	Vocational Education	Total Enterprise Funds
Operating Revenues	\$170,137	\$62,044		\$232,181
Depreciation	10,342			10,342
Operating Income (Loss)	(148,734)	2,815		(145,919)
Federal Donated Commodities	35,398			35,398
Interest	37			37
Grants	86,465			86,465
Net Income	2,473	2,815		5,288
Fixed Asset - Additions	29,307			29,307
Net working Capital	(39,370)	4,040	\$833	(34,497)
Total Assets	115,266	4,040	833	120,139
Total Liabilities	53,225			53,225
Total Equity	62,041	4,040	833	66,914

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the four counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. The District paid \$152,950 for services received through the Council. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made to the Four County Career Center during 2002. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. No payments were made to the NOERC during 2002. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**16. RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and liability. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

For fiscal year 2002, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. The District maintains Fleet insurance with the Plan. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**17. GROUP PURCHASING POOLS**

**A. Northern Buckeye Education Council's Employee Insurance Benefits Program**

The Northern Buckeye Education Council's Employee Insurance Benefits Program included health, dental, drug, and life insurance plans. The health, drug, and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of two representatives from each of the four counties in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2002, the Hicksville Exempted Village School District contributed a total of \$457,070 for employee insurance benefits. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Ohio School Board Association Workers' Compensation Group Rating Plan**

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

The Board of Directors of the Ohio School Board Association Workers' Compensation Plan has designated the Executive Director to serve as the coordinator of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

**C. Ohio School Plan**

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. In fiscal year 2002, the District contributed a total of \$9,761 to the Plan's administrator. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**18. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables.

	Due From Other Funds	Due To Other Funds
General Fund	\$10	
Special Revenue Funds		\$10
Total	\$10	\$10

	Interfund Receivable	Interfund Payable
General Fund	\$32,454	
Special Revenue Funds		\$22,500
Enterprise Fund		8,454
Agency Funds		1,500
Total	\$32,454	\$32,454

**19. TRANSFERS**

Transfers for the fiscal year ended June 30, 2002 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$12,000	\$486
Capital Projects Funds		12,000
Agency Funds	486	
Total	\$12,486	\$12,486

**20. AGENCY FUNDS**

Combined Statement of Changes in Assets and Liabilities				
	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
Total assets	\$42,201		\$4,795	\$37,406
Total liabilities	\$42,201		\$4,795	\$37,406

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**21. STATUTORY RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds was set aside at fiscal year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2001	\$103,585		\$28,806
Current Year Set-aside Requirement	116,502	\$116,502	
Current Year Offsets	(39,583)	(119,837)	
Qualifying Disbursements	(96,738)		(28,806)
Total	<u>\$83,766</u>	<u>(\$3,335)</u>	
Cash Balance Carried Forward to FY 2003	<u>\$83,766</u>		

The District had current year offsets that reduced the capital acquisition set aside amount below zero. This amount may not be used to reduce the set aside requirement in future fiscal years.

**22. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Hicksville Exempted Village School District  
Defiance County  
105 East Smith Street  
Hicksville, Ohio 43526-1110

To the Board of Education:

We have audited the financial statements of the Hicksville Exempted Village School District, Defiance County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10120-001 through 2002-10120-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 7, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving

the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 7, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 7, 2003

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2002

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

**FINDING NUMBER: 2002-10120-001**

**Noncompliance Citation**

Ohio Revised Code §135.18 states that the Treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. As of June 30, 2002, the District had deposits of \$1,218,103 at the Hicksville Bank. The Bank provided collateral of \$918,502 and together with federal depository insurance coverage of \$101,082 for a total security of \$1,019,584. As a result the District had unsecured deposits of \$198,519 at the Hicksville Bank. This could result in the District losing funds that are not covered by security for repayment of public deposits if the bank would fail. We recommend that the Treasurer receive from the bank a copy of the pledged collateral coverage provided at least four times per year and match the amounts covered to the deposits at the bank to assure that all district funds have adequate coverage.

**FINDING NUMBER: 2002-10120-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.
- B. Amounts less than \$1,000 may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Fifteen percent of the transactions tested were not certified at the time the commitment was incurred. These commitments were not subsequently approved by the Board of Education within the aforementioned 30 day time period.

We recommend the Treasurer certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

**FINDING NUMBER: 2002-10120-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 provides that money paid into any fund shall be used only for the purposes for which such fund is established.

Furthermore, this code section also states that all revenue derived from a special levy is to be credited to a special fund for the purpose the levy was made and all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During our review of the District's financial records, we noted the following:

- The Food Service fund had a deficit balance of \$5,954 at year end.
- The Uniform School Supplies Fund in 2002 had a deficit for the months September 2001 through April 2002 of up to \$35,386. Also, there were other various funds throughout the year which had minimal deficit balances.
- The District's rollback and homestead payment of \$7,661 for the Permanent Improvement Fund was posted in the General Fund.

Allowing cash from another fund to pay the obligations of deficit funds and improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so that the Board can better assess whether financial goals are being met. As part of the monitoring process District officials should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2002

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>
2001-10120-001	ORC § 5705.10	No	Not Corrected. Repeated as finding number 2002-10120-003.
2001-10120-002	ORC § 5705.39	Yes	
2001- 10120-003	ORC § 5705.41(D)	No	Not Corrected. Repeated as finding number 2002-10120-002.
2001-10120-004	ORC § 5705.41(B)	No	Partially Corrected. Reported in the management letter.
2001-10120-005	Monitoring of Budget	Yes	





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 13, 2003**