



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Hicksville Exempted Village School District
Defiance County
105 Smith Street
Hicksville, Ohio 43604-2246

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Hicksville Exempted Village School District, Defiance County, (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards 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 Hicksville Exempted Village School District, Defiance County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described more fully in Note 24 to the general-purpose financial statements, during fiscal year 1999 the District changed its method of accounting for investments.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2000 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.

Jim Petro
Auditor of State

January 13, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 494,532	\$ 62,302	\$ 134,573
Cash and Cash Equivalents:			
With Fiscal Agents		4,962	
Receivables:			
Taxes	1,976,987		201,930
Accounts	3,110		
Accrued Interest	181		
Due from Other Governments	212,615		
Due from Other Funds	85,250		
Materials and Supplies Inventory	3,377	295	
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	66,014		
Fixed Assets (Net of Accumulated Depreciation, Where Applicable)			
Other Debits:			
Provided from General Government Resources			
Total Assets and Other Debits	\$ 2,842,066	\$ 67,559	\$ 336,503
LIABILITIES, EQUITY, AND OTHER CREDITS			
Liabilities:			
Accrued Wages and Benefits	\$ 449,822	\$ 6,031	\$ 0
Compensated Absences Payable	5,849		
Due to Other Funds		16,250	55,000
Due to Other Governments	85,031	2,870	
Deferred Revenue	1,875,499		190,730
Other Liabilities			
Total Liabilities	2,416,201	25,151	245,730
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings			
Fund Balances:			
Reserved:			
Reserved for Encumbrances	14,322	10,483	26,151
Reserved for Inventory	3,377	295	
Reserved for Property Taxes	101,488		11,200
Reserved for Budget Stabilization	66,014		
Unreserved:			
Unreserved, Undesignated	240,664	31,630	53,422
Total Fund Equity and Other Credits	425,865	42,408	90,773
Total Liabilities, Fund Equity and Other Credits	\$ 2,842,066	\$ 67,559	\$ 336,503

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 19,153	\$ 33,965	\$ 0	\$ 0	\$ 744,525
				4,962
				2,178,917
703				3,813
				181
				212,615
				85,250
5,583				9,255
				66,014
56,313		2,664,045		2,720,358
			585,018	585,018
\$ 81,752	\$ 33,965	\$ 2,664,045	\$ 585,018	\$ 6,610,908
\$ 13,707	\$ 0	\$ 0	\$ 0	\$ 469,560
14,848			558,282	578,979
12,500	1,500			85,250
7,054			26,736	121,691
				2,066,229
	32,465			32,465
48,109	33,965	0	585,018	3,354,174
		2,664,045		2,664,045
33,643				33,643
				50,956
				3,672
				112,688
				66,014
				325,716
33,643	0	2,664,045	0	3,256,734
\$ 81,752	\$ 33,965	\$ 2,664,045	\$ 585,018	\$ 6,610,908

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property and Other Local Taxes	\$ 1,873,306	\$ 0
Intergovernmental	2,924,701	55,680
Tuition and Fees	1,827	
Earnings of Investments	45,752	
Extracurricular Activities		81,607
Classroom Materials and Fees	11,130	
Miscellaneous	4,703	13,748
Total Revenues	<u>4,861,419</u>	<u>151,035</u>
Expenditures:		
Current:		
Instruction:		
Regular	2,381,251	39,591
Special	377,445	54,234
Vocational	97,588	
Other	4,432	
Support Services:		
Pupils	232,805	
Instructional Staff	223,077	750
Board of Education	17,491	
Administration	378,560	2,860
Fiscal	152,280	
Operation and Maintenance of Plant	401,412	
Pupil Transportation	203,756	
Central	20,640	1,484
Extracurricular activities	105,897	56,509
Capital Outlay	16,224	
Non-Instructional Service	20,689	
Total Expenditures	<u>4,633,547</u>	<u>155,428</u>
Excess of Revenues Over (Under) Expenditures	<u>227,872</u>	<u>(4,393)</u>
Other Financing Sources:		
Gain on sale of Assets	676	
Other Financing Sources	29,463	
Total Other Financing Sources	<u>30,139</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	258,011	(4,393)
Fund Balance at Beginning of Year	<u>167,854</u>	<u>46,801</u>
Fund Balance at End of Year	<u>\$ 425,865</u>	<u>\$ 42,408</u>

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

<u>Governmental Fund Types</u>	<u>Governmental Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$ 139,309	\$ 0	\$ 2,012,615
495,864		3,476,245
		1,827
		45,752
		81,607
		11,130
25,528	600	44,579
660,701	600	5,673,755
229,156		2,649,998
2,695		434,374
827		98,415
		4,432
		232,805
		223,827
	600	18,091
		381,420
3,575		155,855
26,676		401,412
		230,432
		22,124
		162,406
442,842		459,066
		20,689
705,771	600	5,495,346
(45,070)	0	178,409
		676
		29,463
0	0	30,139
(45,070)	0	208,548
135,843	0	350,498
\$ 90,773	\$ 0	\$ 559,046

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes	\$ 1,797,594	\$ 1,874,366	\$ 76,772
Tuition		1,827	1,827
Intergovernmental	3,013,175	2,924,701	(88,474)
Interest	33,540	45,699	12,159
Extracurricular Activities			
Classroom Materials and fees	14,000	10,980	(3,020)
Miscellaneous	6,000	4,728	(1,272)
Total Revenues	4,864,309	4,862,301	(2,008)
Expenditures:			
Current:			
Instruction:			
Regular	2,387,927	2,371,960	15,967
Special	389,389	371,547	17,842
Vocational	97,896	97,124	772
Other	6,106	5,260	846
Support Services:			
Pupils	236,759	224,909	11,850
Instructional Staff	217,282	211,550	5,732
Board of Education	18,050	17,484	566
Administration	426,270	366,927	59,343
Fiscal	132,875	131,894	981
Operation and Maintenance of Plant	434,950	396,958	37,992
Pupil Transportation	225,500	206,561	18,939
Central	21,850	21,443	407
Non-Instructional Service	21,000	20,689	311
Extracurricular activities	124,416	104,031	20,385
Capital Outlay	233,673	16,495	217,178
Total Expenditures	4,973,943	4,564,832	409,111
Excess of Revenues Over (Under) Expenditures	(109,634)	297,469	407,103
Other Financing Sources (Uses):			
Advances In	6,700	6,700	0
Advances Out	(81,250)	(81,250)	0
Other Sources (Uses)	9,813	30,139	20,326
Total Other Financing Sources (Uses)	(64,737)	(44,411)	20,326
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(174,371)	253,058	427,429
Fund Balances at Beginning of Year	255,313	255,313	0
Prior Year Encumbrances Appropriated	37,853	37,853	0
Fund Balance at end of Year	\$ 118,795	\$ 546,224	\$ 427,429

Special Revenue		
Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
69,646	58,427	(11,219)
67,798	81,607	13,809
	13,749	13,749
<u>137,444</u>	<u>153,783</u>	<u>16,339</u>
58,432	40,146	18,286
55,796	54,611	1,185
8,283	750	7,533
9,624	3,373	6,251
1,700		1,700
1,284		1,284
2,488	1,829	659
80,814	65,972	14,842
<u>218,421</u>	<u>166,681</u>	<u>51,740</u>
<u>(80,977)</u>	<u>(12,898)</u>	<u>68,079</u>
16,250	16,250	0
(6,700)	(6,700)	0
<u>9,550</u>	<u>9,550</u>	<u>0</u>
(71,427)	(3,348)	68,079
51,927	51,927	0
3,240	3,240	0
<u>\$ (16,260)</u>	<u>\$ 51,819</u>	<u>\$ 68,079</u>

Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)
\$ 106,991	\$ 140,600	\$ 33,609
500,000	495,864	(4,136)
	25,527	25,527
<u>606,991</u>	<u>661,991</u>	<u>55,000</u>
363,242	256,244	106,998
3,000	2,695	305
900	827	73
4,000	3,575	425
27,000	26,676	324
<u>443,139</u>	<u>442,842</u>	<u>297</u>
<u>841,281</u>	<u>732,859</u>	<u>108,422</u>
<u>(234,290)</u>	<u>(70,868)</u>	<u>163,422</u>
55,000	55,000	0
<u>55,000</u>	<u>55,000</u>	<u>0</u>
(179,290)	(15,868)	163,422
108,366	108,366	0
15,924	15,924	0
<u>\$ (55,000)</u>	<u>\$ 108,422</u>	<u>\$ 163,422</u>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	Expendable Trust		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes	\$ 0	\$ 0	\$ 0
Tuition			
Intergovernmental			
Interest			
Extracurricular Activities			
Classroom Materials and fees			
Miscellaneous		600	600
		<u>600</u>	<u>600</u>
Total Revenues	<u>0</u>	<u>600</u>	<u>600</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education	600	600	0
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Service			
Extracurricular activities			
Capital Outlay			
		<u>600</u>	<u>0</u>
Total Expenditures	<u>600</u>	<u>600</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(600)</u>	<u>0</u>	<u>600</u>
Other Financing Sources (Uses):			
Advances In			
Advances Out			
Other Sources (Uses)			
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(600)</u>	<u>0</u>	<u>600</u>
Fund Balances at Beginning of Year			
Prior Year Encumbrances Appropriated			
Fund Balance at end of Year	<u><u>\$ (600)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 600</u></u>

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

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$ 1,904,585	\$ 2,014,966	\$ 110,381
0	1,827	1,827
3,582,821	3,478,992	(103,829)
33,540	45,699	12,159
67,798	81,607	13,809
14,000	10,980	(3,020)
6,000	44,604	38,604
5,608,744	5,678,675	69,931
2,809,601	2,668,350	141,251
448,185	428,853	19,332
98,796	97,951	845
6,106	5,260	846
236,759	224,909	11,850
225,565	212,300	13,265
18,650	18,084	566
435,894	370,300	65,594
136,875	135,469	1,406
436,650	396,958	39,692
253,784	233,237	20,547
24,338	23,272	1,066
21,000	20,689	311
205,230	170,003	35,227
676,812	459,337	217,475
6,034,245	5,464,972	569,273
(425,501)	213,703	639,204
77,950	77,950	0
(87,950)	(87,950)	0
9,813	30,139	20,326
(187)	20,139	20,326
(425,688)	233,842	659,530
415,606	415,606	0
57,017	57,017	0
\$ 46,935	\$ 706,465	\$ 659,530

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Charges for Services	\$ 143,749
Classroom Materials and Fees	53,196
	196,945
Total Operating Revenues	196,945
Operating Expenses:	
Salaries	89,780
Fringe Benefits	36,525
Purchased Services	2,036
Materials and Supplies	138,832
Depreciation	1,198
Other	330
	268,701
Total Operating Expenses	268,701
Operating Loss	(71,756)
Non-Operating Revenues:	
Federal Donated Commodities	24,419
Loss on disposal of equipment	(6,923)
Federal and State Subsidies	58,645
Other non-operating revenue	3,417
	79,558
Total Non-Operating Revenues	79,558
Net Income	7,802
Retained Earnings at Beginning of Year	25,841
Retained Earnings at End of Year	\$ 33,643

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Operating Loss	\$ (71,756)
Adjustment to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation	1,198
(Increase) Decrease in Assets:	
Materials and Supplies	(620)
Accounts Receivable	(703)
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	(774)
Compensated Absences Payable	1,113
Due to Other Funds	10,000
Due to Other Governments	1,026
	11,240
Total Adjustments	11,240
Net Cash Used by Operating Activities	(60,516)
Cash Flows from Noncapital Financing Activities:	
Purchase of Fixed Asset	(11,136)
Donated Commodities and Other Non-Operating Revenue	27,838
Intergovernmental	58,645
	75,347
Net Cash Provided by Noncapital Financing Activities	75,347
Net Decrease in Cash and Cash Equivalents	14,831
Cash and Cash Equivalents at Beginning of Year	4,322
Cash and Cash Equivalents at End of Year	\$ 19,153

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

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL 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 two instructional/support facilities staffed by 24 non-certified and 66 certificated 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; 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 has no 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 Joint Vocational School, 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 14 and 15 to the general-purpose financial statements.

NOTE 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 more significant of the District's accounting policies are described below.

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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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.

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).

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

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 funds 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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.

All proprietary fund types 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. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year end.

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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 1999. 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 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 and reported in the notes to the financial statements for proprietary 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, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. 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, 1999.

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 \$45,752 was credited to the General Fund.

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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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 required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 10 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 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

Title VI-B - Flow Through
Eisenhower Grant - Flow Through
Title I
Title VI

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

Drug Free Schools - Flow Through
Preschool Disabilities - Flow Through
Educational Management Information System
Professional Development

Capital Projects Funds

School Net Plus
School Net Technology Grant

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

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

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 1999.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid 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,

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds.

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.

M. Fund Balance Reserves

The District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, inventory, and property taxes. 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, Title VI-B, Drug Free Schools and Handicapped Preschool 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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.

NOTE 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 (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types and Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds				
	General	Special	Capital Projects	Expendable Trust
GAAP Basis	\$ 258,011	\$ (4,393)	\$ (45,070)	\$ ---
Change in receivables and other assets not recognized on budget basis - July 1 to June 30	7,833	18,998	56,290	---
Change in liabilities not recognized on budget basis - July 1 to June 30	1,536	(7,470)	(937)	---
Reserve for encumbrances - budgetary basis	(14,322)	(10,483)	(26,151)	---
Budgetary Basis	\$ 253,058	\$ (3,348)	\$ (15,868)	\$ ---

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations issued by any federal government agency; 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 through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

Investments in stripped principal or interest obligations, reverse purchase 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 1999, the District's investments were limited to STAR Ohio.

At fiscal year-end, the District had \$4,962 in cash and cash equivalents held by the Northwest Educational Service Center which is included on the balance sheet as "cash and cash equivalents with fiscal agents."

Cash on Hand

At fiscal year end, the District had \$150 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 (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits At fiscal year end, the carrying amount of the District's deposits was \$(127,925) and the bank balance was \$86,362. \$76,362 of the bank balance was covered by federal depository insurance. \$10,000 was uninsured and uncollateralized. Although 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, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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.

	Carrying Value	Fair Value
STAR Ohio, Unclassified	\$ 938,314	\$ 938,314

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:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 810,539	\$ ---
Cash on Hand	(150)	---
Investments:		
STAR Ohio	(938,314)	938,314
GASB Statement 3	\$ (127,925)	\$ 938,314

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the 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 1999 taxes are based as follows:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 44,623,120	74.69%	\$ 46,760,400	73.12%
Public Utility Personal	5,602,590	9.37%	5,628,280	8.80%
Tangible Personal Property	9,520,675	15.94%	11,561,135	18.08%
Total	\$ 59,746,385	100.00%	\$ 63,949,815	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 33.20		\$ 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 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. 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, 1999 was \$112,688 and is recognized as revenue. \$101,488 was available to the general fund and \$11,200 was available to the capital projects fund.

NOTE 6 - 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.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts 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 items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Income taxes	<u>\$ 212,615</u>

NOTE 8 - FIXED ASSETS

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Land Improvements	\$ 22,955	\$ 23,850	\$ ---	\$ 46,805
Buildings	749,195	427,356	---	1,176,551
Vehicles	423,762	57,388	27,024	454,126
Furniture, fixtures, and equipment	958,902	138,970	111,309	986,563
Total	<u>\$2,154,814</u>	<u>\$ 647,564</u>	<u>\$ 138,333</u>	<u>\$ 2,664,045</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Furniture, fixtures, and equipment	\$ 118,688	\$ 11,136	\$ 21,378	\$ 108,446
Accumulated depreciation	(65,389)	(1,198)	(14,454)	(52,133)
Total	\$ 53,299	\$ 9,938	\$ 6,924	\$ 56,313

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; for fiscal year 1999, 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$86,070, \$80,685 and \$70,499, respectively; 48.9 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$44,038 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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 Ohio Revised Code. STRS 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, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, 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, 1999, 1998, and 1997 were \$356,542, \$344,694 and \$324,914, respectively; 82.0 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$64,224 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$50,935 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal 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.

For this fiscal year, employer contributions to fund health care benefits were 3.5 percent of covered payroll. 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 year 1998, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$28,146 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 55 days.

At June 30, 1999 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$5,849 and \$558,282 respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$14,848.

NOTE 12 - LONG-TERM OBLIGATIONS

During the year ended June 30, 1999, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at June 30, 1998	Additions	Reductions	Balance at June 30, 1999
Employee benefit obligations	\$ 517,640	\$ 40,642	\$ ---	\$ 558,282
SERS and SERS surcharge	26,264	26,736	26,264	26,736
Total	<u>\$ 543,904</u>	<u>\$ 67,378</u>	<u>\$ 26,264</u>	<u>\$ 585,018</u>

There was no debt outstanding at June 30, 1999.

NOTE 13 - 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, 1999 was as follows:

	Food Service	Uniform School Supplies	Vocational Education	Total Enterprise Funds
Operating Revenues	\$ 143,749	\$ 51,546	\$ 1,650	\$ 196,945
Depreciation	1,198	---	---	1,198
Operating Income (Loss)	(77,110)	5,022	332	(71,756)
Operating Grants	58,645	---	---	58,645
Net Income (Loss)	2,448	5,022	332	7,802
Total Assets	74,581	6,109	1,062	81,752
Total Liabilities	48,072	---	37	48,109
Total Equity	26,509	6,109	1,025	33,643
Net working capital	(29,804)	6,109	1,025	(22,670)

NOTE 14 - 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. 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 (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. 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 Joint Vocational School

The Four County Joint Vocational School 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 Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

NOTE 15 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured. 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 16). 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.

NOTE 16 - 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. 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 or his designee shall 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.

NOTE 17 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	Due From Other Funds	Due To Other Funds
General Fund	\$ 85,250	\$ ---
Enterprise Fund	---	12,500
Special Revenue Funds	---	16,250
Capital Projects Funds	---	55,000
Agency Funds	---	1,500
Total all fund types	\$ 85,250	\$ 85,250

NOTE 18 - AGENCY FUNDS

Combined Statement of Changes
in Assets and Liabilities

	Balance at July 1, 1998	Additions	Deductions	Balance at June 30, 1999
Cash	\$ 20,092	\$ 70,320	\$ 56,447	\$ 33,965
Total assets	\$ 20,092	\$ 70,320	\$ 56,447	\$ 33,965
Other liabilities	\$ 20,092	\$ 70,320	\$ 56,447	\$ 33,965
Total liabilities	\$ 20,092	\$ 70,320	\$ 56,447	\$ 33,965

NOTE 19 - SET ASIDE CALCULATIONS AND FUND 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. The District is also required to set aside money for budget stabilization.

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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 0	\$ 0
Current Year Set-aside Requirement	77,980	77,980	66,014	221,974
Current Year Offsets	(111,322)	(29,278)	0	(140,600)
Qualifying Disbursements	(64,360)	(125,589)	0	(189,949)
Total	<u>\$ (97,702)</u>	<u>\$ (76,887)</u>	<u>\$ 66,014</u>	<u>\$ (108,575)</u>
Cash Balance Carried Forward to FY 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,014</u>	<u>\$ 66,014</u>
Amount restricted for budget stabilization				<u>\$ 66,014</u>
Total Restricted Assets				<u>\$ 66,014</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next year.

NOTE 20- LEGAL COMPLIANCE

Expenditures exceeded appropriations at the legal level of control during a portion of the fiscal year contrary to Ohio Rev. Code Section 5705.41 (B)

NOTE 21 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcoming in many electronic data processing systems and other equipment that may affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District's school building has heating, air conditioning and ventilation systems, which have efficiency utilization measures within the system. The District can manually override any computerized controls within the system.

The District contracts with the Northwest Ohio Computer Association (NWOCA) for its financial operations including financial reporting, payroll and employee benefits, and educational statistics reporting. NWOCA is responsible for remediating these systems.

Defiance County collects property taxes for distribution to the District. The County is responsible for remediating its tax collection system.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 13, 2000, the government experienced no interruptions of operation or serviced related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTE 22- OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 1999, the District had contracts for construction that were encumbered, but unpaid of \$17,130.

NOTE 23 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999 the District received \$2,592,553 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 24 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1999, the District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value.

The implementation of GASB Statement No. 31 had no effect on the fund balance/retained earnings of any fund type that had been previously reported as of June 30, 1998.

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

Hicksville Exempted Village School District
Defiance County
105 Smith Street
Hicksville, Ohio 43604-2246

To the Board of Education:

We have audited the financial statements of Hicksville Exempted Village School District, Defiance County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 13, 2000, in which we noted that the District changed its method of accounting for investments. We conducted our audit in accordance with generally accepted auditing standards 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10120-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 13, 2000.

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 January 13, 2000.

Hicksville Exempted Village School District
Defiance County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

Jim Petro
Auditor of State

January 13, 2000

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

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

FINDING NUMBER 1999-10120-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following fund line items were found to have expenditures which exceeded appropriations by the amounts indicated during a part of the audit period:

<u>General Fund</u>	
Instructional-Special	\$ 12,293
Support Services -Pupil	24,500
Support Services -Instructional Staff	72,250
Support Services -Fiscal	6,500
Support Services -Operations an Maintenance	17,000
Non-Instructional	21,000
Support Services-Pupil Transportation	10,970
<u>Capital Outlay</u>	
Support Services-Pupil Transportation	26,675
Instructional-Regular	151,545
<u>Enterprise funds</u>	
Personal Services-Salaries	12,137
<u>Agency funds</u>	
Extracurricular Activities	15,846

Expenditures exceeded appropriations in forty three percent of the financial statement expenditure line items.

We recommend the District compare fund line item actual expenditures to their appropriated amounts throughout the year, and make appropriate amendments to their annual appropriation resolution prior to approving expenditures for fund line items that will exceed their appropriated amounts.



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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
FEBRUARY 1, 2000**