



**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 members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Hicksville Exempted Village School District (the District) as of and for the year ended June 30, 2003, 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 District as of June 30, 2003, 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.

As discussed in Note 9 to the general-purpose financial statements, the District changed its policy regarding fixed asset capitalization.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 18, 2003

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**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS JUNE 30, 2003
(Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$768,766	\$127,973	\$198,651
Receivables:			
Taxes	2,149,306		147,957
Accounts	130	2,241	
Intergovernmental		26,032	
Accrued Interest	786		
Interfund Receivable	38,322		
Income Tax	236,842		
Materials and Supplies Inventory			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	110,197		
Fixed Assets			
Accumulated Depreciation			
Other Debits:			
Amount to be Provided From General Government Resources			
Total Assets and Other Debits	\$3,304,349	\$156,246	\$346,608

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$21,089	\$50,624			\$1,167,103
				2,297,263
				2,371
10,056				36,088
				786
				38,322
				236,842
7,737				7,737
				110,197
146,401 (82,076)		\$4,445,823		4,592,224 (82,076)
			\$704,497	704,497
<u>\$103,207</u>	<u>\$50,624</u>	<u>\$4,445,823</u>	<u>\$704,497</u>	<u>\$9,111,354</u>

(Continued)

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS JUNE 30, 2003
(Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$23,251	\$2,207	\$29,320
Accrued Wages and Benefits	610,586	9,200	
Compensated Absences Payable	10,214		
Interfund Payable		22,322	
Intergovernmental Payable	101,350	1,290	
Deferred Revenue	2,023,806	23,906	135,457
Due to Students			
	2,769,207	58,925	164,777
Total Liabilities			
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	55,193	10,416	18,801
Reserved for Property Taxes	125,500		12,500
Reserved for Textbooks and Instructional Materials	110,197		
Unreserved, Undesignated	244,252	86,905	150,530
	535,142	97,321	181,831
Total Fund Equity and Other Credits			
Total Liabilities, Fund Equity and Other Credits	\$3,304,349	\$156,246	\$346,608

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

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$1,079	\$1,826			\$57,683
20,848				640,634
16,797			\$662,873	689,884
14,500	1,500			38,322
11,471			41,624	155,735
				2,183,169
	47,098			47,098
<u>64,695</u>	<u>50,424</u>		<u>704,497</u>	<u>3,812,525</u>
		\$4,445,823		4,445,823
38,512				38,512
				84,410
				138,000
	200			110,197
				481,887
<u>38,512</u>	<u>200</u>	<u>4,445,823</u>		<u>5,298,829</u>
<u>\$103,207</u>	<u>\$50,624</u>	<u>\$4,445,823</u>	<u>\$704,497</u>	<u>\$9,111,354</u>

**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, 2003

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Revenues:			
Intergovernmental	\$3,746,321	\$290,182	\$15,647
Interest	34,193		
Tuition and Fees	169,881		
Rent	1,221		
Extracurricular Activities		109,373	
Gifts and Donations	1,000	13,475	70,088
Customer Services		13,231	
Income Tax	578,722		
Property and Other Local Taxes	1,658,719		153,321
Miscellaneous	298	319	
Total Revenues	<u>6,190,355</u>	<u>426,580</u>	<u>239,056</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,077,735	74,563	155,358
Special	719,485	115,797	
Vocational	129,668		
Other	18,568		
Support Services:			
Pupils	259,023	56,501	
Instructional Staff	401,255	17,978	
Board of Education	21,828		
Administration	618,213	7,857	
Fiscal	185,326		3,670
Operation and Maintenance of Plant	521,476		13,470
Pupil Transportation	206,394		
Central	197,144	1,962	
Non-Instructional Services	826		8,100
Extracurricular activities	188,730	113,327	1,455
Capital Outlay			39,589
Total Expenditures	<u>6,545,671</u>	<u>387,985</u>	<u>221,642</u>
Excess of Revenues Over (Under) Expenditures	<u>(355,316)</u>	<u>38,595</u>	<u>17,414</u>
Other Financing Sources (Uses)			
Operating Transfers In		1,278	
Refund of Prior Year Expenditures	3,820		1,595
Other Financing Sources		820	
Operating Transfers Out	(26,114)		
Total Other Financing Sources (Uses)	<u>(22,294)</u>	<u>2,098</u>	<u>1,595</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(377,610)</u>	<u>40,693</u>	<u>19,009</u>
Fund Balance at Beginning of Year	912,752	56,628	162,822
Fund Balance at End of Year	<u><u>\$535,142</u></u>	<u><u>\$97,321</u></u>	<u><u>\$181,831</u></u>

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

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
	\$4,052,150
	34,193
	169,881
	1,221
	109,373
\$4,800	89,363
	13,231
	578,722
	1,812,040
	617
<u>4,800</u>	<u>6,860,791</u>
	3,307,656
	835,282
	129,668
	18,568
	315,524
	419,233
4,600	26,428
	626,070
	188,996
	534,946
	206,394
	199,106
	8,926
	303,512
	39,589
<u>4,600</u>	<u>7,159,898</u>
<u>200</u>	<u>(299,107)</u>
	1,278
	5,415
	820
	(26,114)
	(18,601)
200	(317,708)
	1,132,202
<u>\$200</u>	<u>\$814,494</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, 2003

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$3,834,379	\$3,746,321	(\$88,058)
Interest	38,000	35,396	(2,604)
Tuition and Fees	166,500	170,134	3,634
Rent	1,250	1,221	(29)
Extracurricular Activities			
Gifts and Donations	1,000	1,000	
Customer Services			
Income Tax	585,000	585,140	140
Property and Other Local Taxes	1,542,000	1,561,088	19,088
Miscellaneous	450	619	169
Total Revenues	6,168,579	6,100,919	(67,660)
Expenditures:			
Current:			
Instruction:			
Regular	3,070,919	3,064,255	6,664
Special	699,797	693,494	6,303
Vocational	132,153	127,608	4,545
Other	18,100	18,069	31
Support services:			
Pupils	289,701	284,606	5,095
Instructional Staff	417,770	403,255	14,515
Board of Education	30,591	21,828	8,763
Administration	628,366	614,787	13,579
Fiscal	198,429	189,214	9,215
Operation and Maintenance of Plant	538,408	521,170	17,238
Pupil Transportation	245,944	203,316	42,628
Central	280,158	197,214	82,944
Non-Instructional Services	826	826	
Extracurricular activities	191,480	187,641	3,839
Capital Outlay	5,001	4,913	88
Total Expenditures	6,747,643	6,532,196	215,447
Excess of Revenues Over (Under) Expenditures	(579,064)	(431,277)	147,787
Other Financing Sources (Uses)			
Operating Transfers In			
Refund of Prior Year Expenditures	3,700	3,820	120
Advances In	22,500	22,510	10
Other Financing Sources	100		(100)
Operating Transfers Out	(26,150)	(26,114)	36
Advances Out	(34,500)	(34,322)	178
Other Financing Uses	(658,478)		658,478
Total Other Financing Sources (Uses)	(692,828)	(34,106)	658,722
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,271,892)	(465,383)	806,509
Fund Balance at Beginning of Year	1,198,707	1,198,707	
Prior Year Encumbrances Appropriated	73,186	73,186	
Fund Balance at End of Year	\$1	\$806,510	\$806,509

Special Revenue			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$199,124	\$288,841	\$89,717	\$7,765	\$15,647	\$7,882
111,473	107,363	(4,110)			
8,571	13,475	4,904	37,000	70,088	33,088
8,000	13,000	5,000			
			154,000	148,221	(5,779)
4,712	319	(4,393)			
331,880	422,998	91,118	198,765	233,956	35,191
97,168	78,853	18,315	168,791	161,567	7,224
86,759	117,430	(30,671)	1,064	165	899
7,163	56,817	(49,654)	1,600	1,595	5
36,287	28,946	7,341			
12,329	7,893	4,436			
			3,869	3,670	199
			13,500	13,470	30
			14,029		14,029
3,756	1,956	1,800	10,037	8,100	1,937
151,762	114,177	37,585	1,500	1,455	45
			139,799	39,589	100,210
395,224	406,072	(10,848)	354,189	229,611	124,578
(63,344)	16,926	80,270	(155,424)	4,345	159,769
6,443	7,057	614			
				1,595	1,595
22,322	22,322				
900	820	(80)			
(19,397)	(5,779)	13,618			
(22,510)	(22,510)				
(12,242)	1,910	14,152		1,595	1,595
(75,586)	18,836	94,422	(155,424)	5,940	161,364
92,225	92,225		108,770	108,770	
4,289	4,289		46,652	46,652	
\$20,928	\$115,350	\$94,422	(\$2)	\$161,362	\$161,364

(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, 2003
(Continued)

	Expendable Trust		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental			
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations	\$5,800	\$4,800	(\$1,000)
Customer Services			
Income Tax			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	5,800	4,800	(1,000)
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education	5,800	4,600	1,200
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay			
Total Expenditures	5,800	4,600	1,200
Excess of Revenues Over (Under) Expenditures		200	200
Other Financing Sources (Uses)			
Operating Transfers In			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		200	200
Fund Balance at Beginning of Year			
Prior Year Encumbrances Appropriated			
Fund Balance at End of Year	\$0	\$200	\$200

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

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$4,041,268	\$4,050,809	\$9,541
38,000	35,396	(2,604)
166,500	170,134	3,634
1,250	1,221	(29)
111,473	107,363	(4,110)
52,371	89,363	36,992
8,000	13,000	5,000
585,000	585,140	140
1,696,000	1,709,309	13,309
5,162	938	(4,224)
6,705,024	6,762,673	57,649
3,336,878	3,304,675	32,203
787,620	811,089	(23,469)
132,153	127,608	4,545
18,100	18,069	31
298,464	343,018	(44,554)
454,057	432,201	21,856
36,391	26,428	9,963
640,695	622,680	18,015
202,298	192,884	9,414
551,908	534,640	17,268
259,973	203,316	56,657
283,914	199,170	84,744
10,863	8,926	1,937
344,742	303,273	41,469
144,800	44,502	100,298
7,502,856	7,172,479	330,377
(797,832)	(409,806)	388,026
6,443	7,057	614
3,700	5,415	1,715
44,822	44,832	10
1,000	820	(180)
(45,547)	(31,893)	13,654
(57,010)	(56,832)	178
(658,478)		658,478
(705,070)	(30,601)	674,469
(1,502,902)	(440,407)	1,062,495
1,399,702	1,399,702	
124,127	124,127	
\$20,927	\$1,083,422	\$1,062,495

**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, 2003

	Enterprise
Operating Revenues:	
Sales	\$234,733
Total Operating Revenues	234,733
Operating Expenses	
Salaries	121,176
Fringe Benefits	49,762
Purchased Services	227
Materials and Supplies	202,845
Depreciation	10,255
Other	240
Total Operating Expenses	384,505
Operating Loss	(149,772)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	30,239
Federal and State Subsidies	92,962
Amounts Contributed from Other Funds	13,663
Loss on Sale of Fixed Assets	(1,892)
Total Non-Operating Revenues and Expenses	134,972
Loss Before Operating Transfers	(14,800)
Operating Transfers-In	25,000
Net Income	10,200
Retained Earnings at Beginning of Year (as Restated)	28,312
Retained Earnings at End of Year	\$38,512

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Enterprise</u>
Increase in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$235,080
Cash Payments to Suppliers for Goods and Services	(177,936)
Cash Payments for Contract Services	(227)
Cash Payments for Employee Services	(118,104)
Cash Payments for Employee Benefits	(45,655)
Other Cash Payments	(240)
	<hr/>
Net Cash Used by Operating Activities	(107,082)
	<hr/>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	92,599
Transfers In	25,000
Advance In	12,000
Advance Out	(5,954)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	123,645
	<hr/>
Net Increase in Cash and Cash Equivalents	16,563
Cash and Cash Equivalents at Beginning of Year	4,526
	<hr/>
Cash and Cash Equivalents at End of Year	<u><u>\$21,089</u></u>

(Continued)

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

	Enterprise
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$149,772)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	10,255
Donated Commodities Used During the Year	30,239
(Increase) Decrease in Assets:	
Accounts Receivable	347
Material and Supplies Inventory	(3,575)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	1,480
Intergovernmental Payable	2,297
Deferred Revenue	(2,689)
Accrued Wages and Benefits	3,402
Accounts Payable	934
Total Adjustments	42,690
Net Cash Used by Operating Activities	(\$107,082)
Noncash Investing Capital and Financing Activities:	
Contributions of Capital Assets from Governmental Sources	\$13,663

The food service fund consumed donated commodities with a value of \$30,239. 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003

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 33 non-certified and 78 certified full time teaching personnel who provide services to 992 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, the Ohio School Board Association Workers' Compensations Group Rating Plan, and the Ohio School 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 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 is the District's proprietary fund type:

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

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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 fund's 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, 2003, but which were levied to finance fiscal year 2004 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 revenues.

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.

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

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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 for the General fund is at the function level. All other funds are set at the fund level. 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 2003. 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 total function appropriations within the General fund or any other fund's total appropriations 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,

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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 2003. 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, 2003.

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 \$34,193 was credited to the General Fund. Notwithstanding Ohio statutes, \$7,181 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 maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

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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 \$1,000, 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 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.

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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

Educational Management Information System
Disadvantaged Pupil Impact Aid Fund
ONEnet Network Connectivity
Ohio SchoolNet Professional Development
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
Title II-D

Capital Projects Funds

School Net Plus

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.

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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.

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, 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.

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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 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. 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).
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, 2003 follows:

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	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	\$ (465,383)	\$ 18,836	\$ 5,940	\$ 200
Adjustments for:				
Revenue Accruals	89,436	3,582	5,100	
Expenditure Accruals	(85,923)	5,464	(29,320)	
Other Sources/Uses	11,812	188		
Encumbrances	<u>72,448</u>	<u>12,623</u>	<u>37,289</u>	
GAAP Basis	<u>\$ (377,610)</u>	<u>\$ 40,693</u>	<u>\$ 19,009</u>	<u>\$ 200</u>

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, Title II – D and Uniform School Supplies funds had deficit fund balances of \$172 and \$1,596 which were created by application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had deficit balances, contrary to the requirements of the Revised Code, during 2003:

- The Food Service Fund for a period from July 2002 through May 2003 of up to \$37,524.
- The Uniform School Supplies Fund for a period from September 2002 through May 2003 of up to \$25,137.
- The Title I Fund for a period from December 2002 through February 2003 of up to \$12,139.
- The DPIA Fund at July 31, 2002 had a balance of \$9,067.
- The Title IV Drug Free Fund at end of May 2003 had a balance of \$3,097.
- The Title VIR Fund for a period from August 2002 through May 2003 of up to \$8,471.
- The Title IID Technology Fund for a period from November 2002 through May 2003 of up to \$1,325.

Fifteen percent of the transactions tested were not properly certified by the fiscal officer at the time that the commitment was incurred, 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 or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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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 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);
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.

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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 2003, the District's investments were limited to STAR Ohio.

At fiscal year end, the District had \$145 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 \$953,876 and the bank balance was \$1,345,378. \$140,689 of the bank balance was covered by federal depository insurance. \$1,204,689 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.

	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio, Unclassified	\$ 323,279	\$ 323,279

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:

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	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 1,277,300	
Cash on Hand	(145)	
Investments:		
STAR Ohio	(323,279)	\$ 323,279
Total	\$ 953,876	\$ 323,279

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 2003 taxes are based as follows:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other RE	\$ 58,689,220	78%	\$ 62,851,280	78%
Public Utility	4,455,340	6%	4,642,120	6%
Tangible Personal Property	11,868,770	16%	12,587,400	16%
Total Assessed Value	\$ 75,013,330	100%	\$ 80,080,800	100%
Tax rate per \$1,000 of assessed valuation	\$ 33.20		\$ 33.20	

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.

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, 2003, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003. 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, 2003 was \$138,000 and is recognized as revenue. \$125,500 was available to the general fund and \$12,500 was available to the capital projects fund.

7. INCOME TAX

The District levies a voted tax of 0.75 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, 2003, 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:

	<u>Amounts</u>
General Fund:	
Taxes	\$ 2,149,306
Accounts	130
Accrued Interest	786
Income Tax	236,842
Special Revenue Funds:	
Accounts	2,241
Intergovernmental	26,032
Capital Project Funds:	
Taxes	147,957
Enterprise Funds:	
Intergovernmental	<u>10,056</u>
Total	<u>\$ 2,573,350</u>

9. FIXED ASSETS

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	Restated Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
Land and Land Improvements	\$ 46,805	\$ 10,000	\$ -	\$ 56,805
Buildings	3,008,671	8,335	-	3,017,006
Vehicles	789,419	77,030	6,437	860,012
Furniture, Fixtures and Equipment	512,000	-	-	512,000
Total	<u>\$ 4,356,895</u>	<u>\$ 95,365</u>	<u>\$ 6,437</u>	<u>\$ 4,445,823</u>

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

	Restated Balance at 06/30/02	Additions	Deductions	Balance at 06/30/03
Furniture, Fixtures and Equipment	\$ 136,590	\$ 13,663	\$ 3,852	\$ 146,401
Accumulated Depreciation	(73,781)	(10,255)	(1,960)	(82,076)
Total	<u>\$ 62,809</u>	<u>\$ 3,408</u>	<u>\$ 1,892</u>	<u>\$ 64,325</u>

The District corrected certain errors related to accumulated depreciation and changed its capitalization threshold from \$100 to \$1,000 for fixed assets. The effect of the corrections and change of capitalization threshold on the beginning balance of the fixed assets in the General Fixed Account Group, the beginning retained earnings and net income as previously stated in the Enterprise fund type is as follows:

	General Fixed Assets Account Group - Fixed Assets	Enterprise Fund Type - Retained Earnings	Enterprise Fund Type - Net Income
Amount as perviously reported	\$ 4,502,648	\$ 66,914	\$ 5,288
Adjustment for error corrections and change in capitalization threshold	(145,753)	(38,602)	(2,149)
Restated Amounts at July 1, 2002	<u>\$ 4,356,895</u>	<u>\$ 28,312</u>	<u>\$ 3,139</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, Suite 100, Columbus, Ohio 43215 or by calling (614) 222-5853.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 percent of annual covered payroll for fiscal year 2003, 8.17 percent was the portion to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used 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, 2003, 2002, and 2001 were \$69,509, \$38,119, and \$28,104 respectively; 56 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$30,252 representing the unpaid contribution for fiscal year 2003 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 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; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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, 2003, 2002 and 2001 were \$488,786, \$309,543, and \$277,999 respectively; 85 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$73,097 represents the unpaid contribution for fiscal year 2003, 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, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio 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 Stabilization 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 Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

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

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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, 2003, the allocation rate is 5.83 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 2003, the minimum pay has been established as \$14,500. 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, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

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

The District paid \$58,567 to fund postemployment health care benefits, including the surcharge during the 2003 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. Employees are permitted to carry over vacation leave earned in the current year into the next year.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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, 2003 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General and Long-Term Obligation Account Group were \$10,214 and \$662,873 respectively. The liability for compensated absences in the proprietary funds at June 30, 2003 was \$16,797.

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Compensated absences payable	\$ 595,356	\$ 67,517	\$ -	\$ 662,873
SERS and SERS surcharge	35,398	6,226	-	41,624
Total	<u>\$ 630,754</u>	<u>\$ 73,743</u>	<u>\$ -</u>	<u>\$ 704,497</u>

There was no debt outstanding at June 30, 2003.

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, 2003 was as follows:

	Food Service	Uniform School Supplies	Vocational Education	Total Enterprise Funds
Operating Revenues	\$ 173,717	\$ 61,016	\$ -	\$ 234,733
Depreciation	10,255	-	-	10,255
Operating Income (Loss)	(144,136)	(5,636)	-	(149,772)
Federal Donated Commodities	30,239	-	-	30,239
Loss on Disposal of Asset	(1,892)	-	-	(1,892)
Grants	92,962	-	-	92,962
Transfers-In	25,000	-	-	25,000
Property, plant and equipment				
Additions	13,663	-	-	13,663
Deletions	3,852	-	-	3,852
Net Income (Loss)	15,836	(5,636)	-	10,200
Net working Capital	(25,050)	(1,596)	833	(25,813)
Total Assets	90,891	11,483	833	103,207
Total Liabilities	51,616	13,079	-	64,695
Total Equity	39,275	(1,596)	833	38,512

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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.

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 are made to the Northern Buckeye Educational 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 \$195,116 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 2003. 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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 NOERC during 2003. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

16. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, 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 2003, 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 for 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

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.

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 2003, the Hicksville Exempted Village School District contributed a total of \$555,344 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 § 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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 2003, the District contributed a total of \$42,220 to the Plan's administrator. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

18. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2003 consist of the following individual fund receivables and payables.

	Interfund Receivable	Interfund Payable
General Fund	\$ 38,322	\$ -
Special Revenue Fund	-	22,322
Enterprise Fund	-	14,500
Agency Funds	-	1,500
Total	\$ 38,322	\$ 38,322

19. TRANSFERS

Transfers for the fiscal year ended June 30, 2003 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 26,114
Special Revenue Fund	1,278	-
Enterprise Fund	25,000	-
Agency Funds	-	164
	\$ 26,278	\$ 26,278

20. AGENCY FUNDS

Combined Statement of Changes in Assets and Liabilities

	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
Total assets	\$ 37,406	\$ 13,018	\$ -	\$ 50,424
Total liabilities	\$ 37,406	\$ 13,018	\$ -	\$ 50,424

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2002	\$ 83,766	\$ -
Current Year Set-aside Requirement	133,168	133,168
Current Year Offsets	(99,027)	(49,194)
Qualifying Disbursements	(7,710)	(113,923)
Total	\$ 110,197	\$ (29,949)
Cash Balance Carried Forward to FY 2004	\$ 110,197	\$ -

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 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 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 Hicksville Exempted Village School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 18, 2003, wherein we noted the change in its policy regarding fixed asset capitalization. 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 2003-001 through 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 18, 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 December 18, 2003.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Hicksville Exempted Village School District
Defiance County
Independent Accountants' Report 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.

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

Betty Montgomery
Auditor of State

December 18, 2003

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

SCHEDULE OF FINDINGS
JUNE 30, 2003

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

FINDING NUMBER 2003-001

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

Furthermore, this code section also requires that 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 2003 financial records, we noted the following:

- The Food Service Fund had a deficit fund balance for the months of July 2002 through May 2003 of up to \$37,524.
- The Uniform School Supplies Fund had a deficit fund balance for the months of September 2002 through May 2003 of up to \$25,137.
- The Title I Fund had a deficit fund balance for the months of December 2002 through February 2003 of up to \$12,139.
- The DPIA Fund had a deficit fund balance of \$9,067 at July 31, 2002.
- The Title IV Drug Free Fund had a deficit fund balance of \$3,097 at the end of May 2003.
- The Title VIR Fund had a deficit fund balance for the months of August 2002 through May 2003 of up to \$8,471.
- The Title IID Technology Fund had a deficit fund balance for the months of November 2002 through May 2003 of up to \$1,325.

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 on an ongoing basis. 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.

FINDING NUMBER 2003-002

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

FINDING NUMBER 2003-002
(Continued)

- A. Concerning contracts where the amount in question is \$1,000 (\$3,000 after April 7, 2003) or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000 (\$3,000 after April 7, 2003), the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

The Treasurer did not make the proper certification of funds for 15 percent of the transactions tested during the audit period. We recommend prior certification of all expenditures, but when prior certification is not possible "then and now" certificates should be utilized.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10120-001	ORC § 135.18 Certain deposits were not secured.	Yes	
2002-10120-002	ORC § 5705.41 (D) Improper certification of expenditures by the fiscal officer.	No	Not corrected. Repeated as finding number 2003-002.
2002-10120-003	ORC § 5705.10 Certain fund had deficit cash balance at June 30, 2002 and certain monies were recorded in the wrong fund.	No	Partially corrected. Repeated as finding number 2003-001.



**Auditor of State
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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
JANUARY 20, 2004**