



Dave Yost • Auditor of State

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hicksville Exempted Village School District
Defiance County
958 East High Street
Hicksville, Ohio 43526-1258

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hicksville Exempted Village School District, Defiance County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hicksville Exempted Village School District, Defiance County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 8, 2017

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The discussion and analysis of the financial performance of Hicksville Exempted Village School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

Net position increased \$789,697.

General receipts accounted for \$10,302,006, or 87 percent of all receipts. Program specific receipts in the form of charges for services and sales and operating grants and contributions accounted for \$1,506,089 or 13 percent of total receipts of \$11,808,095.

The General Fund and the Capital Projects Fund are the District's only major funds.

The General Fund had \$9,846,647 in receipts and other financing sources and \$12,034,335 in disbursements and other financing uses. The General fund's balance decreased \$2,187,688 from the prior fiscal year.

The Capital Projects Fund had \$3,000,000 in other financing sources and no disbursements or other financing uses. The Capital Projects Fund's balance increased \$3,000,000 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and Capital Projects Fund are the District's only major funds.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities, both reported on the cash basis, reflect how the District did financially during fiscal year 2016. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

These statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the cash basis statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities, which includes all of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax receipts and from intergovernmental receipts, including federal and state grants and other shared receipts.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund and Capital Projects Fund are the District's only major funds.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2016 compared to fiscal year 2015.

| Table 1 Net Position Governmental Activities | | |
|---|-------------|-------------|
| | 2016 | 2015 |
| <u>Assets:</u> | | |
| Current and Other Assets | \$7,347,371 | \$6,647,674 |
| <u>Net Position:</u> | | |
| Restricted for Debt Service | 325,709 | 303,307 |
| Restricted for Capital Outlay | 794,834 | 812,201 |
| Restricted for Other Purposes | 208,510 | 236,160 |
| Unrestricted | 6,108,318 | 5,296,006 |
| Total | \$7,347,371 | \$6,647,674 |

As mentioned previously, net position of governmental activities increased \$789,697 during 2016.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2016 compared to fiscal year 2015.

**Table 2
Change in Net Position
Governmental Activities**

| | 2016 | 2015 |
|---------------------------------------|-------------------|-------------------|
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$780,040 | \$827,384 |
| Operating Grants and Contributions | 726,049 | 918,266 |
| Total Program Receipts | <u>1,506,089</u> | <u>1,745,650</u> |
| General Receipts: | | |
| Property Taxes | 2,663,017 | 2,531,506 |
| Income Taxes | 1,020,707 | 1,514,000 |
| Grants and Entitlements | 6,465,889 | 5,602,052 |
| Investment Earnings | 42,610 | 26,799 |
| Gifts and Donations | 11,750 | 2,160 |
| Miscellaneous | 4,499 | 7,373 |
| Refunding Bonds Issued | | 6,610,000 |
| Premium on Refunding Bonds Issued | | 694,847 |
| Proceeds from Sale of Capital Assets | 30 | 3,024 |
| Insurance Recoveries | | 16,050 |
| Refund of Prior Year Expenditures | 93,504 | 62,187 |
| Total General Receipts | <u>10,302,006</u> | <u>17,069,998</u> |
| Total Receipts | <u>11,808,095</u> | <u>18,815,648</u> |
| Disbursements: | | |
| Instruction | 6,052,883 | 6,147,020 |
| Support Services: | | |
| Pupils | 501,270 | 475,317 |
| Instructional Staff | 485,802 | 463,892 |
| Board of Education | 35,627 | 28,633 |
| Administration | 814,111 | 807,092 |
| Fiscal | 269,972 | 296,896 |
| Operation and Maintenance of Plant | 845,020 | 916,218 |
| Pupil Transportation | 372,588 | 285,017 |
| Central | 63,939 | 49,591 |
| Non-Instructional | 436,689 | 429,063 |
| Extracurricular Activities | 501,297 | 438,264 |
| Capital Outlay | 8,750 | 2,270 |
| Debt Service: | | |
| Principal | 385,000 | 340,000 |
| Payment to Refunded Bond Escrow Agent | | 7,162,018 |
| Issuance Costs | | 139,618 |
| Interest and Fiscal Charges | 245,450 | 237,375 |
| Refund of Prior Year Receipts | | 1,050 |
| Total Disbursements | <u>11,018,398</u> | <u>18,219,334</u> |
| Increase in Net Position | <u>\$789,697</u> | <u>\$596,314</u> |

Receipts decreased by \$7,007,553 or 37 percent. The overall decrease was primarily attributed to proceeds from the Series 2014 refunding bond issue received in fiscal year 2015.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

Disbursements decreased by \$7,200,936 or 39 percent. The decrease was primarily attributed to the partial retirement of Series 2006 bonds in fiscal year 2015.

Program receipts account for 13 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 55 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 12 percent of governmental disbursements. Maintenance of the District's facilities and administration disbursements also represents a significant disbursement of 8 and 7 percent, respectively. The remaining 18 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>2016</u> | <u>2016</u> | <u>2015</u> | <u>2015</u> |
| Instruction | \$6,052,883 | \$5,226,806 | \$6,147,020 | \$5,250,654 |
| Support Services: | | | | |
| Pupils | 501,270 | 499,649 | 475,317 | 473,509 |
| Instructional Staff | 485,802 | 458,255 | 463,892 | 403,382 |
| Board of Education | 35,627 | 35,627 | 28,633 | 28,633 |
| Administration | 814,111 | 814,111 | 807,092 | 795,214 |
| Fiscal | 269,972 | 269,972 | 296,896 | 296,896 |
| Operation and Maintenance of Plant | 845,020 | 819,223 | 916,218 | 771,431 |
| Pupil Transportation | 372,588 | 372,588 | 285,017 | 285,017 |
| Central | 63,939 | 63,939 | 49,591 | 47,831 |
| Non-Instructional | 436,689 | 24,171 | 429,063 | (6,206) |
| Extracurricular Activities | 501,297 | 288,768 | 438,264 | 244,992 |
| Capital Outlay | 8,750 | 8,750 | 2,270 | 2,270 |
| Debt Service: | | | | |
| Principal | 385,000 | 385,000 | 340,000 | 340,000 |
| Payment to Refunded Bond Escrow Agent | | | 7,162,018 | 7,162,018 |
| Issuance Costs | | | 139,618 | 139,618 |
| Interest and Fiscal Charges | 245,450 | 245,450 | 237,375 | 237,375 |
| Refund of Prior Year Receipts | | | 1,050 | 1,050 |
| Total Disbursements | <u>\$11,018,398</u> | <u>\$9,512,309</u> | <u>\$18,219,334</u> | <u>\$16,473,684</u> |

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 86 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 86 percent. The remaining 14 percent is derived from charges for services and operating grants and contributions.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General Fund and Capital Projects Fund. Total governmental funds had receipts and other financing sources of \$14,808,095 and disbursements and other financing uses of \$14,018,398. The positive net increase in fund balance of \$789,697 indicates the District was able to meet current costs.

The net change in fund balance in the General Fund decreased \$2,187,688. This was primarily due to the \$3,000,000 transfer to the Capital Projects Fund for accumulating funds to add new classrooms and make other facility improvements to the existing building. The net change in fund balance in the Capital Projects Fund increased \$3,000,000 due to the transfer from the General Fund noted above.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2016, the District amended its General Fund budget as needed.

Final budgeted receipts and other financing sources changed by 11 percent from the original budget. Additional estimated receipts were primarily added for property taxes, income taxes, and intergovernmental revenues. Actual receipts and other financing sources exceeded final budgeted receipts and other financing sources by less than 1 percent.

Final budgeted disbursements and other financing uses increased by 32 percent from the original budget. The increase was primarily due to an increase in appropriations for the \$3,000,000 transfer to the Capital Projects Fund. The actual budget basis disbursements and other financing uses for fiscal year 2016 were \$11,986,140, which was \$1,143,071 (10 percent) less than the final budgeted appropriations. The variance is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt

On June 25, 2015, the District issued \$6,610,000 school improvement unlimited tax general obligation refunding bonds. The bonds were issued to retire a portion of the 2006 general obligation bonds. The bonds were issued for a seventeen year period, with final maturity on December 1, 2031 and have an outstanding balance of \$6,435,000. The bonds are being retired through the Bond Retirement Fund.

In April 2006, the District issued \$9,930,000 in general obligation bonds. The bonds, which were used to retire the bond anticipation notes issued in January 2006, were issued for a twenty-one year period, with final maturity on December 1, 2033 and have an outstanding balance of \$1,205,000. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2016, the District's overall legal debt margin was \$1,952,458 with an un-voted debt margin of \$102,934. For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a stagnant economy and uncertainty in State funding. Hicksville is a small rural community of 5,003 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

The District's is current operating in the second year of the state biennium budget. Approximately 33% of District revenue sources are received from local funds, 62% is received from State funds, and the remaining 5% is received from Federal funds. The total expenditure per pupil was calculated at \$8,943.

In November 2005, the District's voters approved a 7.75 mill bond levy for the construction of a new Pre K – 12 school building. The District contributed \$9.9 million dollars in local funds and the Ohio School Facilities Commission contributed \$18.7 million to construct the new \$28.5 million dollar school.

In November 2005, the District's voters also approved a 2.5 mill continuing Permanent Improvement Levy, which includes .5 mill for maintenance of the new facility, a state requirement for all new OSFC project schools.

On July 9, 2015, the District issued refunding bonds in the amount of \$6,610,000 against the November 2005 bond issue. The District was able to reduce the total cost of the bonds by 2% by refunding those bonds.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Melissa Tope, Treasurer, Hicksville Exempted Village School District, 958 East High Street, Hicksville, Ohio 43526-1258.

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$7,437,371</u> |
| Net Position: | |
| Restricted for Debt Service | \$325,709 |
| Restricted for Capital Outlay | 794,834 |
| Restricted for Other Purposes | 208,510 |
| Unrestricted | <u>6,108,318</u> |
| Total Net Position | <u>\$7,437,371</u> |

See Accompanying Notes to the Basis Financial Statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Cash Disbursements</u> | <u>Program Receipts</u> | | <u>Net (Disbursements) Receipts and Changes in Net Position</u> |
|---|-------------------------------|---|---|---|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$4,456,805 | \$383,980 | \$29,689 | (\$4,043,136) |
| Special | 1,286,504 | 14,257 | 192,250 | (1,079,997) |
| Vocational | 93,868 | | 17,872 | (75,996) |
| Student Intervention Services | 215,706 | | 188,029 | (27,677) |
| Support Services: | | | | |
| Pupils | 501,270 | | 1,621 | (499,649) |
| Instructional Staff | 485,802 | | 27,547 | (458,255) |
| Board of Education | 35,627 | | | (35,627) |
| Administration | 814,111 | | | (814,111) |
| Fiscal | 269,972 | | | (269,972) |
| Operation and Maintenance of Plant | 845,020 | 1,298 | 24,499 | (819,223) |
| Pupil Transportation | 372,588 | | | (372,588) |
| Central | 63,939 | | | (63,939) |
| Operation of Non-Instructional Services | 436,689 | 192,960 | 219,558 | (24,171) |
| Extracurricular Activities | 501,297 | 187,545 | 24,984 | (288,768) |
| Capital Outlay | 8,750 | | | (8,750) |
| Debt Service: | | | | |
| Principal | 385,000 | | | (385,000) |
| Interest and Fiscal Charges | 245,450 | | | (245,450) |
| Totals | <u>\$11,018,398</u> | <u>\$780,040</u> | <u>\$726,049</u> | <u>(9,512,309)</u> |
| General Receipts: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 1,897,769 |
| Property Taxes, Levies for Capital Outlay | | | | 151,535 |
| Property Taxes, Levied for Debt Service | | | | 575,829 |
| Property Taxes, Levied for Other Purposes | | | | 37,884 |
| Income Taxes | | | | 1,020,707 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 6,465,889 |
| Gifts and Donations | | | | 11,750 |
| Investment Earnings | | | | 42,610 |
| Miscellaneous | | | | 4,499 |
| Proceeds from Sale of Capital Assets | | | | 30 |
| Refund of Prior Year Expenditures | | | | 93,504 |
| Total General Receipts | | | | <u>10,302,006</u> |
| Change in Net Position | | | | 789,697 |
| Net Position Beginning of Year | | | | <u>6,647,674</u> |
| Net Position End of Year | | | | <u>\$7,437,371</u> |

See Accompanying Notes to the Basis Financial Statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------------|---|---|
| Assets: | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,108,318 | \$3,000,000 | \$1,329,053 | \$7,437,371 |
| Fund Balances: | | | | |
| Restricted | | | \$1,329,322 | \$1,329,322 |
| Committed | | \$3,000,000 | | 3,000,000 |
| Assigned | \$1,184,107 | | | 1,184,107 |
| Unassigned (Deficit) | 1,924,211 | | (269) | 1,923,942 |
| Total Fund Balances | \$3,108,318 | \$3,000,000 | \$1,329,053 | \$7,437,371 |

See Accompanying Notes to the Basis Financial Statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------------|---|---|
| Receipts: | | | | |
| Property and Other Local Taxes | \$1,897,769 | | \$765,248 | \$2,663,017 |
| Income Tax | 1,020,707 | | | 1,020,707 |
| Intergovernmental | 6,364,550 | | 801,631 | 7,166,181 |
| Interest | 34,449 | | 8,161 | 42,610 |
| Tuition and Fees | 398,237 | | | 398,237 |
| Rent | 1,298 | | | 1,298 |
| Extracurricular Activities | 20,014 | | 167,531 | 187,545 |
| Gifts and Donations | 11,750 | | 21,689 | 33,439 |
| Customer Sales and Services | | | 192,960 | 192,960 |
| Miscellaneous | 4,499 | | 4,068 | 8,567 |
| Total Receipts | <u>9,753,273</u> | | <u>1,961,288</u> | <u>11,714,561</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,275,292 | | 181,513 | 4,456,805 |
| Special | 1,094,254 | | 192,250 | 1,286,504 |
| Vocational | 93,868 | | | 93,868 |
| Student Intervention Services | 26,730 | | 188,976 | 215,706 |
| Support Services: | | | | |
| Pupils | 499,649 | | 1,621 | 501,270 |
| Instructional Staff | 458,219 | | 27,583 | 485,802 |
| Board of Education | 35,627 | | | 35,627 |
| Administration | 811,762 | | 2,349 | 814,111 |
| Fiscal | 258,847 | | 11,125 | 269,972 |
| Operation and Maintenance of Plant | 753,529 | | 91,491 | 845,020 |
| Pupil Transportation | 352,788 | | 19,800 | 372,588 |
| Central | 63,939 | | | 63,939 |
| Operation of Non-Instructional Services | 597 | | 436,092 | 436,689 |
| Extracurricular Activities | 300,484 | | 200,813 | 501,297 |
| Capital Outlay | 8,750 | | | 8,750 |
| Debt Service: | | | | |
| Principal | | | 385,000 | 385,000 |
| Interest | | | 245,450 | 245,450 |
| Total Disbursements | <u>9,034,335</u> | | <u>\$1,984,063</u> | <u>11,018,398</u> |
| Excess of Receipts Over (Under) Disbursements | <u>718,938</u> | | <u>(22,775)</u> | <u>696,163</u> |
| Other Financing Sources and (Uses): | | | | |
| Transfers In | | \$3,000,000 | | 3,000,000 |
| Proceeds from Sale of Capital Assets | 30 | | | 30 |
| Refund of Prior Year Expenditures | 93,344 | | 160 | 93,504 |
| Transfers Out | (3,000,000) | | | (3,000,000) |
| Total Other Financing Sources and (Uses) | <u>(2,906,626)</u> | <u>3,000,000</u> | <u>160</u> | <u>93,534</u> |
| Net Change in Fund Balance | <u>(2,187,688)</u> | <u>3,000,000</u> | <u>(22,615)</u> | <u>789,697</u> |
| Fund Balances at Beginning of Year | <u>5,296,006</u> | | <u>1,351,668</u> | <u>6,647,674</u> |
| Fund Balances at End of Year | <u>\$3,108,318</u> | <u>\$3,000,000</u> | <u>\$1,329,053</u> | <u>\$7,437,371</u> |

See Accompanying Notes to the Basis Financial Statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|--------------------|---------------------------------------|
| Receipts: | | | | |
| Property and Other Local Taxes | \$1,809,150 | \$1,897,769 | \$1,897,769 | |
| Income Tax | 755,000 | 1,020,707 | 1,020,707 | |
| Intergovernmental | 5,765,590 | 6,364,550 | 6,364,550 | |
| Interest | 23,800 | 32,336 | 34,449 | \$2,113 |
| Tuition and Fees | 349,442 | 373,185 | 373,280 | 95 |
| Rent | 45,000 | 1,298 | 1,298 | |
| Gifts and Donations | 600 | 1,750 | 1,750 | |
| Miscellaneous | 4,200 | 2,418 | 2,418 | |
| Total Receipts | <u>8,752,782</u> | <u>9,694,013</u> | <u>9,696,221</u> | <u>2,208</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,743,437 | 4,724,398 | 4,257,694 | 466,704 |
| Special | 1,199,367 | 1,188,578 | 1,094,254 | 94,324 |
| Vocational | 110,500 | 111,487 | 96,180 | 15,307 |
| Student Intervention | 27,705 | 27,705 | 26,730 | 975 |
| Support Services: | | | | |
| Pupils | 519,161 | 517,627 | 492,719 | 24,908 |
| Instructional Staff | 452,326 | 524,785 | 458,459 | 66,326 |
| Board of Education | 42,263 | 38,997 | 35,627 | 3,370 |
| Administration | 874,630 | 866,405 | 800,371 | 66,034 |
| Fiscal | 318,950 | 296,378 | 261,055 | 35,323 |
| Operation and Maintenance of Plant | 786,708 | 823,184 | 738,657 | 84,527 |
| Pupil Transportation | 433,949 | 494,366 | 352,788 | 141,578 |
| Central | 68,037 | 72,992 | 61,775 | 11,217 |
| Operation of Non-Instructional/Shared Services | | | 597 | (597) |
| Extracurricular Activities | 308,900 | 308,900 | 300,484 | 8,416 |
| Capital Outlay | 4,828 | 9,578 | 8,750 | 828 |
| Total Disbursements | <u>9,890,761</u> | <u>10,005,380</u> | <u>8,986,140</u> | <u>1,019,240</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(1,137,979)</u> | <u>(311,367)</u> | <u>710,081</u> | <u>1,021,448</u> |
| Other Financing Sources and (Uses): | | | | |
| Proceeds from Sale of Capital Assets | 1,500 | 30 | 30 | |
| Refund of Prior Year Expenditures | 15,000 | 47,423 | 93,344 | 45,921 |
| Transfers Out | | (3,000,000) | (3,000,000) | |
| Refund of Prior Year Receipts | (3,500) | (73,724) | | 73,724 |
| Other Financing Uses | (75,000) | (50,107) | | 50,107 |
| Total Other Financing Sources and (Uses) | <u>(62,000)</u> | <u>(3,076,378)</u> | <u>(2,906,626)</u> | <u>169,752</u> |
| Net Change in Fund Balances | <u>(1,199,979)</u> | <u>(3,387,745)</u> | <u>(2,196,545)</u> | <u>1,191,200</u> |
| Fund Balance at Beginning of Year | 5,147,301 | 5,147,301 | 5,147,301 | |
| Prior Year Encumbrances Appropriated | 130,202 | 130,202 | 130,202 | |
| Fund Balance at End of Year | <u>\$4,077,524</u> | <u>\$1,889,758</u> | <u>\$3,080,958</u> | <u>\$1,191,200</u> |

See Accompanying Notes to the Basis Financial Statements.

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016

| | <u>Private Purpose Trust</u> | <u>Agency Fund</u> |
|--|----------------------------------|--------------------|
| Assets: | | |
| Current Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,036</u> | <u>\$70,764</u> |
| Liabilities: | | |
| Current Liabilities: | | |
| Undistributed Monies | | <u>\$70,764</u> |
| Net Position: | | |
| Held in Trust for Scholarships | <u>\$1,036</u> | |

See Accompanying Notes to the Basis Financial Statements.

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| Additions: | |
| Donations and gifts | <u>\$13,700</u> |
| Deductions: | |
| Payments in Accordance with Trust Agreements | <u>12,751</u> |
| Change in Net Position | 949 |
| Net Position Beginning of Year | <u>87</u> |
| Net Position End of Year | <u><u>\$1,036</u></u> |

See Accompanying Notes to the Basis Financial Statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. Hicksville Exempted Village School District is an exempted village school district as defined by §3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional/support facilities staffed by 39 non-certified and 75 certified full-time teaching personnel who provide services to 1,002 students and other community members.

A. Primary Government

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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. This includes general operations, food service, and student related activities of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District does not have any component units.

C. Jointly Governed Organizations and Purchasing Pools

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 Council Inc., the Northwest Ohio Special Education Regional Resource Center, the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiatives (OHI), the Better Business Bureau of Central Ohio Inc. Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The General Fund and the Capital Projects Fund are the District's major governmental funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for the revenues and expenditures related to capital outlay.

The other governmental funds of the District account for grants and other resources and debt retirement of the District whose uses are restricted to a particular purpose.

2. Fiduciary Funds

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

C. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and may be reported as restricted, committed, or assigned classifications of fund balance.

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For presentation on the financial statements, 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2016, investments were limited to negotiable certificates of deposit, U.S. Treasury notes, federal agency securities, commercial paper, a money market mutual fund, and STAR Ohio. All investments were reported at cost, except for STAR Ohio and the money market mutual fund. The District's money market mutual fund investment is recorded at the amount reported by U.S. Bank at June 30, 2016.

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2016. 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, 2016.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$34,449, which includes \$18,839 assigned from other District funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

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

I. Pension

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Long-term Obligations

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

L. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and Federal and State grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. There are no amounts restricted by enabling legislation as of June 30, 2016.

M. Fund Balance

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

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

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

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis) and certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

| <u>Net Change in Fund Cash Balance</u> | |
|--|-------------------------|
| | <u>General Fund</u> |
| Cash Basis | (\$2,187,688) |
| Funds Budgeted Elsewhere | 10,927 |
| Adjustment for Encumbrances | (19,784) |
| Budget Basis | <u>(\$2,196,545)</u> |

4. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement be at least two percent and to 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met and Board approval have been met, for a period not to exceed 270 days and 180 days, respectively, from the purchase date in an amount not to exceed 40% of interim monies available for investment at any one time.
9. Under limited circumstances corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

Cash on Hand

At year-end, the District had \$235 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."

Investments

As of June 30, 2016, the District had the following investments:

| <u>Investment Type</u> | <u>Balance at Fair Value</u> | <u>Less Than One Year</u> | <u>13 to 24 Months</u> | <u>25 to 36 Months</u> | <u>37 to 60 Months</u> |
|--|------------------------------|---------------------------|------------------------|------------------------|------------------------|
| Federal Home Loan Bank (FHLB) Bonds | \$364,911 | | \$199,914 | \$164,997 | |
| Federal Farm Credit Bank (FFCB) Bonds | 170,000 | | | | \$170,000 |
| Federal National Mortgage Association (FNMA) Bonds | 453,223 | | 263,223 | | 190,000 |
| Commercial Paper | 199,175 | \$199,175 | | | |
| Negotiable Certificates of Deposit (CDARS) | 844,862 | | | 520,000 | 324,862 |
| Money Market Mutual Fund | 10,150 | 10,150 | | | |
| STAR Ohio | 471,473 | 471,473 | | | |
| Total Investments | \$2,513,794 | \$680,798 | \$463,137 | \$684,997 | \$684,862 |

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk – The following investments carry the highest ratings by Moody's and Standard and Poor's:

| <u>Investment Type</u> | <u>Moody's</u> | <u>Standard & Poor's</u> |
|--|----------------|------------------------------|
| Federal Home Loan Bank (FHLB) Bonds | Aaa | AA+ |
| Federal Farm Credit Bank (FFCB) Bonds | Aaa | AA+ |
| Federal National Mortgage Association (FNMA) Bonds | Aaa | AA+ |
| United States Treasury Money Market Fund | Aaa | AAAm |
| STAR Ohio | | AAAm |

Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The District's investment in FHLB notes, FFCB notes, FNMA notes, commercial paper, negotiable certificates of deposit (CDARS), money market mutual fund, and STAR Ohio represent 15 percent, 7 percent, 18 percent, 8 percent, 34 percent, less than 1 percent, and 18 percent, respectively, of the District's total investments

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes for 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2016, are available to finance fiscal year 2016 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

5. PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2016 taxes were collected are:

| | 2015 Second- Half Collections | | 2016 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Commercial/Industrial | \$10,126,300 | 10% | \$10,248,840 | 10% |
| Residential/Agricultural | 84,981,040 | 85% | 87,505,090 | 85% |
| Public Utility | 4,644,160 | 5% | 5,293,730 | 5% |
| Total Assessed Value | <u>\$99,751,500</u> | <u>100%</u> | <u>\$103,047,660</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$41.40 | | \$41.40 | |

6. INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts in the amount of \$1,020,707 were credited to the General Fund.

7. 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 2016, the District participated in the Ohio School Plan (the Plan), an insurance purchasing pool (Note 15). 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 Health Plan (NBHP), Northwest Division of OHI, a self-insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which include health, dental, vision, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

7. RISK MANAGEMENT - (Continued)

C. Workers' Compensation Group Program

The District participates in the Better Business Bureau of Central Ohio Inc. Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). 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 participants 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. The Plan is governed by the Better Business Bureau of Central Ohio Inc. and the participating members of the Plan. The Director of the Better Business Bureau of Central Ohio Inc. coordinates the management and administration of the program.

8. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED PENSION BENEFIT PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund. The District's contractually required contribution to SERS was \$155,991 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED PENSION BENEFIT PLANS - (Continued)

55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent to 13 percent on July 1, 2015, and will increase another 1 percent to 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$605,287 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED PENSION BENEFIT PLANS - (Continued)

| | SERS | STRS | Total |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$2,064,911 | \$11,745,455 | \$13,810,366 |
| Proportion of the Net Pension Liability | 3.618780% | 4.1521960% | |

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

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

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED PENSION BENEFIT PLANS - (Continued)

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

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

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

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

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$2,863,289 | \$2,064,911 | \$1,392,610 |

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED PENSION BENEFIT PLANS - (Continued)

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50%.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED PENSION BENEFIT PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease █ (6.75%) | Current Discount Rate █ (7.75%) | 1% Increase █ (8.75%) |
|--|--------------------------|---------------------------------------|--------------------------|
| School District's proportionate share of the net pension liability | \$15,940,273 | \$11,475,455 | \$7,699,786 |

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2016, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

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

9. POSTEMPLOYMENT BENEFITS – (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2016, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, District's surcharge obligation was \$18,708.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$18,708, \$29,817, and \$18,062 respectively; 0 percent has been contributed for fiscal year 2016. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2016, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2016, 2015, and 2014 were \$8,245, \$9,383, and \$9,356, respectively; 86 percent has been contributed for fiscal year 2016 and 100 percent for fiscal year 2015 and 2014.

B. State Teachers Retirement System

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$44,622, respectively; the full amount has been contributed for fiscal years 2016, 2015, and 2014.

10. 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.

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.

Effective July 1, 2006 the total vacation time that an employee can accumulate at any given time can be no greater than one year plus the current year. Carryover of vacation time will be limited to no more than one year's accumulation of vacation time.

11. LONG-TERM OBLIGATIONS

During the year ended June 30, 2016, the following changes occurred in long-term obligations:

| | <u>Balance at 6/30/15</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at 6/30/16</u> | <u>Due Within One Year</u> |
|-----------------------------|-------------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| General Obligation | | | | | |
| Refunding Bonds Series 2014 | \$6,400,000 | | \$105,000 | \$6,295,000 | \$385,000 |
| Capital Appreciation Bonds | 140,000 | | | 140,000 | |
| Accretion Interest | 47,987 | \$65,718 | | 113,705 | |
| General Obligation Bonds | | | | | |
| Serial – Series 2006 | 280,000 | | 280,000 | | |
| Term – Series 2006 | 1,205,000 | | | 1,205,000 | |
| Total Long-Term Obligations | <u>\$8,072,987</u> | <u>\$65,718</u> | <u>\$385,000</u> | <u>\$7,753,705</u> | <u>\$385,000</u> |

Debt outstanding at June 30, 2016 consisted of the following:

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

11. LONG-TERM OBLIGATIONS - (Continued)

General Obligation Refunding Bonds, Series 2014

On October 2, 2014, the District issued \$6,610,000 in School Improvement Unlimited Tax General Obligation Bonds Series 2014. The bonds were issued to pay off a portion of the general obligation serial and term bonds series 2006.

The bonds consisted of \$6,470,000 in current interest bonds and \$140,000 in capital appreciation bonds. The serial bonds will mature on December 1, 2031. The capital appreciation bonds will mature on December 1, 2020. The bonds are being retired through the Bond Retirement Debt Service Fund.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

| <u>Maturity Date (December 1)</u> | <u>Principal Amount Maturing</u> | <u>Interest Rate</u> |
|---------------------------------------|--------------------------------------|--------------------------|
| 2016 | \$385,000 | 1.500% |
| 2017 | 390,000 | 2.000% |
| 2018 | 400,000 | 2.000% |
| 2021 | 405,000 | 2.125% |
| 2022 | 415,000 | 2.500% |
| 2023 | 420,000 | 2.500% |
| 2024 | 430,000 | 3.000% |
| 2025 | 445,000 | 3.250% |
| 2026 | 460,000 | 3.250% |
| 2027 | 475,000 | 3.250% |
| 2028 | 490,000 | 3.500% |
| 2029 | 510,000 | 3.500% |
| 2030 | 525,000 | 4.000% |
| 2031 | 545,000 | 4.000% |

The Capital Appreciation Bonds

The Capital Appreciation Bonds will be dated their date of issuance. The Capital Appreciation Bonds do not bear current interest, but will accrete in value from their date of issuance. The accreted value so accrued and compounded shall be the Compound Accreted Amount. Payment of the Compound Accreted Amount shall be made upon presentation and surrender thereof at the principal office of the Paying Agent and Registrar. The Compound Accreted Amount of the Capital Appreciation Bonds as of each Compound Date is set forth in the Accretion Table provided below.

| <u>Maturity Date</u> | <u>Original Principal Amount</u> | <u>Accreted Value at Maturity</u> |
|----------------------|--------------------------------------|---------------------------------------|
| 2019 | \$80,000 | \$405,000 |
| 2020 | 60,000 | 405,000 |

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

11. LONG-TERM OBLIGATIONS - (Continued)

School Improvement Bonds – 2006

The District issued \$9,930,000 in voted general obligation bonds for the purpose of constructing, renovating, and improving existing school facilities and related site development. The bonds were issued on April 4, 2006 and will mature in December 2033. The bond issued included \$5,240,000 in serial bonds and \$4,690,000 in term bonds. The bonds will be retired with a voted property tax levy from the Debt Service fund. Several of the bonds were retired with the proceeds from the general obligation refunding bonds series 2014. This current refunding was undertaken to reduce total debt service payments over the next 18 years by \$362,474 and resulted in an economic gain of \$285,287.

The term bonds maturing on December 1, 2029, December 1, 2031, and December 1, 2033, are subject to mandatory sinking fund redemption in part by lot and are redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, on the applicable mandatory redemption dates and in the principal amounts payable on those dates set forth in the Certificate of Award. The remaining term bonds are as follows:

| <u>Redemption Date (December 1)</u> | <u>Principal Amount To Be Redeemed</u> |
|---|--|
| 2032 | \$590,000 |
| 2033 | 615,000 |

The scheduled payments of principal and interest on debt outstanding at June 30, 2016 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|--------------------|--------------------|---------------------|
| 2017 | \$385,000 | \$236,438 | \$621,437 |
| 2018 | 390,000 | 229,650 | 619,650 |
| 2019 | 400,000 | 221,750 | 621,750 |
| 2020 | 80,000 | 542,750 | 622,750 |
| 2021 | 60,000 | 562,750 | 622,750 |
| 2022 – 2026 | 2,115,000 | 960,878 | 3,075,879 |
| 2027 – 2031 | 2,460,000 | 603,075 | 3,063,075 |
| 2032 – 2034 | 1,750,000 | 116,884 | 1,866,884 |
| Total | <u>\$7,640,000</u> | <u>\$3,474,175</u> | <u>\$11,114,175</u> |

12. LEASE

The District entered into a capital lease for the acquisition of computers. The District disbursed \$135,414 to pay lease costs for the year ended June 30, 2016. These expenditures were reflected as regular instruction on the accompanying financial statements. The lease was paid off in fiscal year 2016.

13. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

13. SET-ASIDE CALCULATIONS AND FUND RESERVES – (Continued)

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

| | Capital Acquisition |
|--|--------------------------------|
| Set-aside Cash Balance as of June 30, 2015 | |
| Current Year Set-aside Requirement | \$162,337 |
| Current Year Offsets | (162,337) |
| Cash Balance Carried Forward to FY 2017 | _____ |
| Total Restricted Assets | _____ |

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood 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 educational entities. NWOCA is governed by the Northern Buckeye Education Council and its participating members.

The NWOCA Assembly consists of a superintendent from each participating educational entity 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 six counties in which the member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA were \$82,513. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 for services rendered through the Northern Buckeye Education Council. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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 five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center during this fiscal year were \$981. To obtain financial information, write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

E. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating school districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

15. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program. NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Rev. Code Section 9.833. NBHP is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. NBHP is governed by OHI and its participating members.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

15. GROUP PURCHASING POOLS – (Continued)

The District contributed a total of \$1,037,751 to Northern Buckeye Health Plan, Northwest Division of OHI during fiscal year 2016 for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

B. Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Better Business Bureau of Central Ohio Inc. Worker's Compensation was established through Better Business Bureau of Central Ohio Inc. as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. Better Business Bureau of Central Ohio Inc. has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

Better Business Bureau of Central Ohio Inc. has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During fiscal year 2016, the District paid an enrollment fee of \$685 to cover the costs of administering the program.

C. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 273 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

| | <u>2015</u> | <u>2014</u> |
|-----------------|-------------|-------------|
| Assets | \$9,313,853 | \$7,974,679 |
| Liabilities | 3,956,512 | 2,780,801 |
| Members' Equity | 5,357,341 | 5,193,878 |

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

16. INTERFUND TRANSFERS

During the year ended June 30, 2016, the General Fund transferred \$3,000,000 to the Capital Projects Fund, a major fund, to use for adding classrooms and making other facility improvements to the District's existing building.

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

There are currently no matters in litigation with the District as defendant.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

18. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

18. FUND BALANCE – (Continued)

| Fund Balance | General | Capital Projects | Other Governmental | Total Governmental Funds |
|--------------------------------------|----------------|-----------------------------|-------------------------------|---|
| Restricted for: | | | | |
| Regular Instruction | | | \$8,805 | \$8,805 |
| Special Instruction | | | | |
| Athletics | | | 84,490 | 84,490 |
| Food Service Operations | | | 79,847 | 79,847 |
| Facilities Maintenance | | | 35,637 | 35,637 |
| Permanent Improvement | | | 22,138 | 22,138 |
| Debt Retirement | | | 325,709 | 325,709 |
| Building Construction | | | 772,696 | 772,696 |
| Total Restricted | | | 1,329,322 | 1,329,322 |
| Committed For: | | | | |
| Permanent Improvements | | \$3,000,000 | | 3,000,000 |
| Assigned for: | | | | |
| Educational Activities | \$10,106 | | | 10,106 |
| Subsequent Year Budget | 1,154,217 | | | 1,154,217 |
| Unpaid Obligations (encumbrances) | 19,784 | | | 19,784 |
| Total Assigned | 1,184,107 | | | 1,184,107 |
| Unassigned (Deficit) | 1,924,211 | | (269) | 1,923,942 |
| Total Fund Balance | \$3,108,318 | \$3,000,000 | \$1,329,053 | \$7,437,371 |

19. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, *“Fair Value Measurement and Application”*, GASB Statement No. 73 *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, GASB Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, and GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants”*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

19. ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Compliance

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

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Dave Yost • Auditor of State

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

Hicksville Exempted Village School District
Defiance County
958 East High Street
Hicksville, Ohio 43526-1258

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hicksville Exempted Village School District, Defiance County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

May 8, 2017

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Noncompliance Citation

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District lacked a GASB 34 policy and therefore prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2016-002

Material Weakness

Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Committed fund balances are established for specific purposes pursuant to constraints imposed by formal action of the Board. In addition, assigned fund balances are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The Board approved a transfer of \$3,000,000 from the General Fund to the Capital Projects Fund to accumulate funds for adding classrooms and making other facility improvements to the existing school building. The Capital Projects Fund balance was classified as restricted instead of committed fund balance. An adjustment was recorded in the amount of \$3,000,000 to the Capital Projects fund to reclassify the fund balance as committed. In addition, a \$3,000,000 adjustment was made to the Statement of Net Position to reclassify net position restricted for capital outlay to unrestricted net position.

In the General Fund, the excess of appropriations over estimated receipts for the subsequent year budget were not reported as assigned fund balance. An adjustment in the amount of \$1,154,217 was recorded to the General Fund to reclassify the fund balance from unassigned to assigned.

These errors occurred as a result of management's lack of understanding the proper classification of fund balances in accordance with GASB 54.

In order to ensure the District's governmental fund balances are reported in accordance with GASB 54, we recommend the District review GASB 54 and Auditor of State Bulletin 2011-004.

Officials' Response:

The adjustments noted above will be presented to the financial statement compiler to be corrected for future audits.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---|---|
| 2015-001 | Material noncompliance on Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not reporting financial statements on a Generally Accepted Accounting Principles (GAAP) basis. | Not corrected. Reissued as finding 2016-001 in this report. | The finding reoccurred since management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. |
| 2015-002 | Material weakness over financial reporting. | Corrective action taken and finding is fully corrected. | |
| 2015-003 | Material federal noncompliance on 34 CFR 80.32(d) for not maintaining an updated inventory. | Not corrected. | The finding reoccurred since the District did not hire a company to update its inventory during the prior audit. The District has currently hired a company to updates its inventory records. |
| 2015-004 | Material federal noncompliance on 34 CFR 80.21(c) for monitoring Title I cash requests. | Corrective action taken and finding is fully corrected. | |

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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
JUNE 1, 2017