



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Hicksville Exempted Village School District (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Hicksville Exempted Village School District, Defiance County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 25, 2002

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**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in pooled cash and cash equivalents	\$744,463	\$81,553	\$75,394
Cash and cash equivalents with fiscal agent		3,672	
Receivables:			
Taxes	1,986,211		191,139
Interest	87		
Interfund Receivable	14,000		
Due from other governments	218,975	16,172	
Due from other funds	36,055		
Restricted Assets:			
Equity in pooled cash and cash equivalents	105,329		
Materials and supplies inventory	3,317	369	
Fixed assets (net, where applicable, of accumulated depreciation)			
Other Debits:			
Amount to be provided from general government resources			
Total Assets and Other Debits	\$3,108,437	\$101,766	\$266,533
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$1,620	\$4,561	
Accrued salaries and benefits	452,315	11,718	
Due to other funds		36,055	
Due to other governments	78,014	2,375	
Due to students			
Interfund payable			
Deferred revenue - taxes	1,880,985		\$180,216
Compensated absences payable	8,202	9,355	
Total Liabilities	2,421,136	64,064	180,216
FUND EQUITY AND OTHER CREDITS			
Investment in general fixed assets			
Retained earnings			
Fund balances:			
Reserved for encumbrances	43,974	13,592	5,136
Reserved for inventory	3,317	369	
Reserved for budget stabilization	67,796		
Reserved for textbooks and instructional materials	37,533		
Reserved for advances	14,000		
Reserved for property taxes advances available	188,590		17,712
Designated for textbooks			2,177
Unreserved: Undesignated	332,091	23,741	61,292
Total Fund Equity and Other Credits	687,301	37,702	86,317
Total Liabilities and Fund Equity and Other Credits	\$3,108,437	\$101,766	\$266,533

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUP		Totals (Memorandum Only)
		General Fixed Assets	General Long-term Obligations	
Enterprise	Trust and Agency			
\$47,554	\$22,408			\$971,372 3,672
				2,177,350 87
14,242				14,000 249,389 36,055
6,909				105,329 10,595
45,078		\$4,436,161		4,481,239
			\$596,689	596,689
\$113,783	\$22,408	\$4,436,161	\$596,689	\$8,645,777
\$200				\$6,381
15,931				479,964
5,820			\$33,871	36,055 120,080
12,500	\$20,908 1,500			20,908 14,000
12,764			562,818	2,061,201 593,139
47,215	22,408		596,689	3,331,728
66,568		\$4,436,161		4,436,161 66,568
				62,702 3,686 67,796 37,533 14,000 206,302 2,177 417,124
66,568		4,436,161		5,314,049
\$113,783	\$22,408	\$4,436,161	\$596,689	\$8,645,777

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
REVENUES			
Taxes	\$2,050,575	\$16,055	\$144,002
Intergovernmental	2,991,252	90,248	97,172
Tuition and fees	571		
Earnings on investments	62,939		
Extracurricular activities		92,502	
Classroom materials and fees	6,255		
Miscellaneous	575	53,289	33,955
Total revenues	5,112,167	252,094	275,129
EXPENDITURES			
Instruction:			
Regular	2,513,789	45,682	112,532
Special	444,705	99,863	566
Vocational	102,739		
Other	9,340		
Support services:			
Pupils	207,408		
Instructional staff	250,043	2,888	
Board of education	14,040		
Administration	358,995	13,989	
Fiscal	146,208		2,655
Operation and maintenance	427,219	154	8,480
Pupil transportation	208,368	2,509	35,000
Central services	24,136	1,760	
Extracurricular activities	159,265	91,955	6,238
Capital outlay	14,197		91,481
Non-instructional services	2,175		22,633
Total expenditures	4,882,627	258,800	279,585
Excess of revenues over (under) expenditures	229,540	(6,706)	(4,456)
OTHER FINANCING SOURCES (USES)			
Transfers - in	69,234	2,000	
Transfers - out	(70,234)		
Other sources of funds	32,896		
Total other financing sources (uses)	31,896	2,000	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	261,436	(4,706)	(4,456)
Fund balance, beginning of year	425,865	42,408	90,773
Fund balance, end of year	\$687,301	\$37,702	\$86,317

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND TYPE	Totals (Memorandum Only)
Expendable Trust	
	\$2,210,632
	3,178,672
	571
	62,939
	92,502
	6,255
\$600	88,419
<u>600</u>	<u>5,639,990</u>
	2,672,003
	545,134
	102,739
	9,340
	207,408
	252,931
600	14,640
	372,984
	148,863
	435,853
	245,877
	25,896
	257,458
	105,678
	24,808
<u>600</u>	<u>5,421,612</u>
	<u>218,378</u>
	71,234
	(70,234)
	32,896
	<u>33,896</u>
	252,274
	<u>559,046</u>
	<u>\$811,320</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	GENERAL FUND		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
REVENUES			
Taxes	\$2,065,845	\$2,040,476	(\$25,369)
Tuition	571	571	
Intergovernmental	2,827,799	2,991,252	163,453
Earnings on investments	66,495	63,033	(3,462)
Extracurricular activities			
Classroom materials and fees	6,472	6,405	(67)
Miscellaneous	575	575	
Total revenues	<u>4,967,757</u>	<u>5,102,312</u>	<u>134,555</u>
EXPENDITURES			
Instruction:			
Regular	2,605,952	2,518,748	87,204
Special	413,915	443,040	(29,125)
Vocational	102,718	101,743	975
Other	10,000	9,340	660
Support services:			
Pupils	238,972	209,001	29,971
Instructional staff	273,889	256,966	16,923
Board of education	23,295	14,047	9,248
Administration	387,275	365,869	21,406
Fiscal	164,792	165,954	(1,162)
Capital outlay	39,500	20,625	18,875
Operation and maintenance	490,505	429,661	60,844
Pupil transportation	159,015	207,060	(48,045)
Central services	22,901	24,136	(1,235)
Non-instructional services	40,500	2,175	38,325
Extracurricular activities	135,160	157,388	(22,228)
Total expenditures	<u>5,108,389</u>	<u>4,925,753</u>	<u>182,636</u>
Excess of revenue over (under) expenditures	<u>(140,632)</u>	<u>176,559</u>	<u>317,191</u>
OTHER FINANCING SOURCES AND (USES)			
Advances - in	75,163	71,250	(3,913)
Advances - out	(10,000)	(36,055)	(26,055)
Transfers - in	73,002	69,234	(3,768)
Transfers - out	(71,000)	(70,234)	766
Other sources		32,896	32,896
Other uses	(681,037)		681,037
Total other financing sources (uses)	<u>(613,872)</u>	<u>67,091</u>	<u>680,963</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(754,504)</u>	<u>243,650</u>	<u>998,154</u>
Fund balance beginning of year	546,224	546,224	
Prior year encumbrances appropriated	14,323	14,323	
Fund balance end of year	<u>(\$193,957)</u>	<u>\$804,197</u>	<u>\$998,154</u>

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$141,500	\$144,280	\$2,780
\$94,329	\$91,421	(\$2,908)	97,835	97,172	(663)
95,624	92,502	(3,122)			
56,246	53,289	(2,957)	40,000	33,955	(6,045)
246,199	237,212	(8,987)	279,335	275,407	(3,928)
45,521	48,640	(3,119)	137,285	117,668	19,617
82,022	85,858	(3,836)		566	(566)
4,521	2,888	1,633			
14,251	13,787	464			
			4,030	2,655	1,375
			154,173	91,481	62,692
	154	(154)	10,000	8,480	1,520
	2,509	(2,509)	35,000	35,000	
2,459	1,760	699			
			2,000	22,633	(20,633)
96,141	102,181	(6,040)		6,238	(6,238)
244,915	257,777	(12,862)	342,488	284,721	57,767
1,284	(20,565)	(21,849)	(63,153)	(9,314)	53,839
36,055	36,055				
(16,250)	(16,250)		(50,000)	(55,000)	(5,000)
2,000	2,000				
21,805	21,805		(50,000)	(55,000)	(5,000)
23,089	1,240	(21,849)	(113,153)	(64,314)	48,839
51,819	51,819		108,422	108,422	
10,483	10,483		26,150	26,150	
\$85,391	\$63,542	(\$21,849)	\$21,419	\$70,258	\$48,839

(Continued)

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	EXPENDABLE TRUST FUNDS		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
REVENUES			
Taxes			
Tuition			
Intergovernmental			
Earnings on investments			
Extracurricular activities			
Classroom materials and fees			
Miscellaneous	\$600	\$600	
Total revenues	600	600	
EXPENDITURES			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional staff			
Board of education	600	600	
Administration			
Fiscal			
Capital outlay			
Operation and maintenance			
Pupil transportation			
Central services			
Non-instructional services			
Extracurricular activities			
Total expenditures	600	600	
Excess of revenue over (under) expenditures			
OTHER FINANCING SOURCES AND (USES)			
Advances - in			
Advances - out			
Transfers - in			
Transfers - out			
Other sources (uses)			
Total other financing sources (uses)			
Excess of revenues and other financing sources over (under) expenditures and other financing uses			
Fund balance beginning of year			
Prior year encumbrances appropriated			
Fund balance end of year			

The accompanying notes are an integral part of these financial statements

TOTALS (MEMORANDUM ONLY)

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$2,207,345	\$2,184,756	(\$22,589)
571	571	
3,019,963	3,179,845	159,882
66,495	63,033	(3,462)
95,624	92,502	(3,122)
6,472	6,405	(67)
97,421	88,419	(9,002)
<u>5,493,891</u>	<u>5,615,531</u>	<u>121,640</u>
2,788,758	2,685,056	103,702
495,937	529,464	(33,527)
102,718	101,743	975
10,000	9,340	660
238,972	209,001	29,971
278,410	259,854	18,556
23,895	14,647	9,248
401,526	379,656	21,870
168,822	168,609	213
193,673	112,106	81,567
500,505	438,295	62,210
194,015	244,569	(50,554)
25,360	25,896	(536)
42,500	24,808	17,692
231,301	265,807	(34,506)
<u>5,696,392</u>	<u>5,468,851</u>	<u>227,541</u>
<u>(202,501)</u>	<u>146,680</u>	<u>349,181</u>
111,218	107,305	(3,913)
(76,250)	(107,305)	(31,055)
75,002	71,234	(3,768)
(71,000)	(70,234)	766
	32,896	32,896
<u>(681,037)</u>		<u>681,037</u>
<u>(642,067)</u>	<u>33,896</u>	<u>675,963</u>
(844,568)	180,576	1,025,144
706,465	706,465	
50,956	50,956	
<u>(\$87,147)</u>	<u>\$937,997</u>	<u>\$1,025,144</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	PROPRIETARY FUND TYPE
	Enterprise Funds
OPERATING REVENUES	
Charges for services	\$156,202
Classroom materials and fees	56,882
	213,084
OPERATING EXPENSES	
Salaries and wages	93,842
Fringe benefits	33,893
Purchased services	1,146
Materials and supplies	171,524
Depreciation	310
Other operating expenses	163
	300,878
Operating loss	(87,794)
NON-OPERATING REVENUES	
Intergovernmental	104,696
Taxes	6,614
Loss on disposal of equipment	(12,506)
Federal Donated Commodities	19,162
Other non-operating revenue	2,753
	120,719
Net income	32,925
Retained earnings, beginning of year	33,643
Retained earnings, end of year	\$66,568

The accompanying notes are an integral part of these financial statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	PROPRIETARY FUND TYPE
	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	(\$87,794)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	310
(Increase) decrease in assets:	
Accounts receivable	703
Materials and supplies	(1,326)
Due from other governments	(14,242)
Increase (decrease) in liabilities:	
Accounts payable	200
Accrued salaries and benefits payable	140
Due to other governments	(1,234)
Total adjustments	(15,449)
Net cash used by operating activities	(103,243)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Other non-operating revenue	2,753
Purchase of fixed assets	(1,581)
Intergovernmental	111,310
Donated Commodities	19,162
Net cash flows provided by non-capital financing activities	131,644
Net increase in cash and cash equivalents	28,401
Cash and cash equivalents, beginning of year	19,153
Cash and cash equivalents, end of year	\$47,554

The Food Service fund consumed donated commodities with a value of \$19,162. Use of these commodities is reflected as an operating expense.

The accompanying notes are an integral part of these financial statements.

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**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's four instructional/support facilities staffed by 35 non-certified and 68 certified full time teaching personnel who provide services to 1,004 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Hicksville Exempted Village School District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes for the organization. The District does not have any component units.

The District is associated with organizations which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Northwestern Ohio Education Research Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 16 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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

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

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

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

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

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

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

Enterprise Funds Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget

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

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. Prior to year-end, the District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

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Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

The District has invested funds in the State Treasury Asset of Ohio (STAR Ohio) during 2000. 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, 2000.

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Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue of \$62,939 was credited to the General Fund. Notwithstanding Ohio statutes, \$13,664 of this amount would have otherwise been credited to other funds of the District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts set aside to establish a budget stabilization reserve and for the purchase of textbooks and instructional materials. See note 20 to these financial statements.

F. Inventory

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

G. Fixed Assets and Depreciation

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

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of 10 years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

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

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase

Non-Reimbursable Grants

Special Revenue Funds

- Title VIB - Flow Through
- Eisenhower Grant
- Title I
- Title VI
- Disadvantaged Pupil Impact Aid Fund
- Drug Free Schools
- Preschool Disabilities
- Educational Management Information System
- Professional Development Grant
- Ohio Reads Program

Capital Projects Funds

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

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

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

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I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

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

L. Interfund Transactions

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

M. Fund Balance Reserves and Designations

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which

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is available for appropriation in future periods. Fund equity reserves are established for property taxes, inventories of supplies and materials, advances, encumbrances, textbooks and instructional materials, and budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Designations represent tentative management plans which are subject to change. Designations have been established for monies set-aside for textbook purchases in excess of statutory requirements.

N. Estimates

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

O. Pass-Through Grants

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

P. Total Columns on General-Purpose Financial Statements

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2000 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses				
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$243,650	\$1,240	\$(64,314)	
Revenue Accruals	9,855	14,882	(278)	
Expenditure Accruals	(2,469)	(19,034)		
Other Sources/Uses	(35,195)	(19,805)	55,000	
Encumbrances	45,595	18,011	5,136	
GAAP Basis	\$261,436	\$(4,706)	\$(4,456)	

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The Ohio State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest ratings classifications by at least two nationally recognized rating agencies.

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

During fiscal year 2000, the District's investments were limited to STAR Ohio.

At fiscal year end, the District had \$125 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".

At year end, the District had \$3,672 held at the Northwest Ohio Educational Service Center. This amount is included in the balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

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

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$(68,631) and the bank balance was \$117,583. All of the bank balance was covered by federal depository insurance.

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the

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securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterpart's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
STAR Ohio, Unclassified	\$1,145,207	\$1,145,207

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,080,373	
Cash on Hand	(125)	
Cash with Fiscal Agent	(3,672)	
Investments:		
STAR Ohio	(1,145,207)	\$1,145,207
GASB Statement 3	\$(68,631)	\$1,145,207

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2000 taxes are based as follows:

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	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,760,400	73.12%	\$56,483,890	76.59%
Public Utility Personal	5,628,280	8.80%	11,572,258	15.69%
Tangible Personal Property	11,561,135	18.08%	5,689,870	7.72%
Total	\$63,949,815	100.00%	\$73,746,018	100.00%
Tax rate per \$1,000 of assessed valuation	\$36.40		\$36.40	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Defiance County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$206,302 and is recognized as revenue. \$188,590 was available to the general fund and \$17,712 was available to the capital projects fund.

NOTE 6 - INCOME TAX

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

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<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Income Taxes	\$218,975
Special Revenue Funds:	
Reimbursement from other school district	16,055
Title I Subsidy 84.010	117
Total Special Revenue Funds	<u>16,172</u>
Enterprise Funds:	
Cafeteria Federal Reimbursement	7,628
Other Food Reimbursements	6,614
Total Enterprise Funds	<u>14,242</u>
Total Intergovernmental Receivables	<u><u>\$249,389</u></u>

NOTE 8 - FIXED ASSETS

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

	<u>Original Balance 6/30/99</u>	<u>Adjustments</u>	<u>Restated Balance 7/1/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/00</u>
Land and Land Improvements	\$46,805		\$46,805			\$46,805
Buildings	1,176,551	\$1,745,960	2,922,511	\$77,967		3,000,478
Vehicles	454,126	37,827	491,953	63,712	\$48,347	507,318
Furniture, fixtures and equipment	986,563	14,456	1,001,019	68,586	188,045	881,560
Total	<u>\$2,664,045</u>	<u>\$1,798,243</u>	<u>\$4,462,288</u>	<u>\$210,265</u>	<u>\$236,392</u>	<u>\$4,436,161</u>

The fixed assets at 7/1/99 were restated to reflect assets that were erroneously undervalued or excluded.

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

	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/00</u>
Furniture, fixtures and equipment	\$108,446	\$1,581	\$28,928	\$81,099
Accumulated depreciation	(52,133)	(310)	(16,422)	(36,021)
Total	<u>\$56,313</u>	<u>\$1,271</u>	<u>\$12,506</u>	<u>\$45,078</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rate is 14% of annual covered payroll for fiscal year 2000, 8.45% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2000, 1999, and 1998 were \$91,450, \$86,070, and \$80,685 respectively; 42.4 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$53,022 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$384,874, \$356,542, and \$344,694 respectively; 83.9 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$61,844 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, four

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio, and to retired non-certified employees and their dependents through the School Employees Retirement System.

A. State Teachers Retirement System of Ohio

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

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5% of covered payroll. Health care benefits are financed on a pay-as-you-go basis.

For the year ended June 30, 2000, net health care costs paid by STRS Ohio were \$283,137,000. There were 99,011 eligible benefit recipients.

B. School Employees Retirement System

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million.

The number of benefit recipients currently receiving health care benefits is approximately 50,000. (June 30, 2000 is the latest date for which information is available.)

The District's actual contributions for the 2000 fiscal year were \$54,982 for STRS and \$30,329 for SERS.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 55 days.

At June 30, 2000 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General and Long-Term Obligation Account Group were \$8,202 and \$562,818 respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 was \$12,764. The liability for compensated absences in the special revenue funds at June 30, 2000 was \$9,355.

NOTE 12 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at June 30, 1999	Additions	Reductions	Balance at June 30, 2000
Compensated absences payable	\$558,282	\$4,536		\$562,818
SERS and SERS surcharge	26,736	7,135		33,871
Total	<u>\$585,018</u>	<u>\$11,671</u>		<u>\$596,689</u>

There was no debt outstanding at June 30, 2000.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds which provide lunchroom/cafeteria, uniform school supply and vocational/education services. Segment information for the year ended June 30, 2000 was as follows:

	Food Service	Uniform School Supplies	Vocational Education	Total Enterprise Funds
Operating Revenues	\$156,202	\$56,607	\$275	\$213,084
Depreciation	310			310
Operating Income (Loss)	(82,063)	(5,540)	(191)	(87,794)
Operating Grants	104,696			104,696
Donated Commodities	19,162			19,162
Net Income (Loss)	38,656	(5,540)	(191)	32,925
Fixed Asset Additions	1,581			1,581
Fixed Asset Deletions	28,928			28,928
Total Assets	112,381	569	833	113,783
Total Liabilities	47,215			47,215
Total Equity	65,166	569	833	66,568
Net working Capital	20,088	569	833	21,490

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

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

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

school districts. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

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

NOTE 15 – RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

the fiscal year. Upon withdrawal for the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

NOTE 16 - GROUP PURCHASING POOLS

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

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

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

In fiscal year 2000, the Hicksville Exempted Village School District contributed a total of \$416,841 for employee insurance benefits, which represented 2.6 percent of total contributions. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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

NOTE 17 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payables.

	Due From Other Funds	Due To Other Funds
General Fund	\$36,055	
Special Revenue Funds		\$36,055
Total transfers	\$36,055	\$36,055

	Interfund Receivable	Interfund Payable
General Fund	\$14,000	
Enterprise Fund		12,500
Agency Funds		1,500
Total transfers	\$14,000	\$14,000

NOTE 18 - TRANSFERS

Transfers for the fiscal year ended June 30, 2000 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$69,234	\$70,234
Special Revenue	2,000	
Agency Funds		1,000
Total transfers	\$71,234	\$71,234

NOTE 19 - AGENCY FUNDS

Combined Statement of Changes in Assets and Liabilities

	Balance at July 1, 1999	Additions	Deductions	Balance at June 30, 2000
Cash	\$33,965	\$92,058	\$103,615	\$22,408
Total assets	\$33,965	\$92,058	\$103,615	\$22,408

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

	Balance at July 1, 1999	Additions	Deductions	Balance at June 30, 2000
Other liabilities	\$33,965	\$92,058	\$103,615	\$22,408
Total liabilities	<u>\$33,965</u>	<u>\$92,058</u>	<u>\$103,615</u>	<u>\$22,408</u>

NOTE 20 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance, June 30, 1999			\$66,014	\$66,014
Current Year Set-Aside Requirement	\$118,628	\$118,628	1,782	239,038
Current Year Offsets	(56,025)	(113,783)		(169,808)
Qualifying Disbursements	(25,070)	(123,917)		(148,987)
Total	<u>\$37,533</u>	<u>(\$119,072)</u>	<u>\$67,796</u>	<u>(\$13,743)</u>
Cash Balance Carried Forward to FY 2000	<u>\$37,533</u>		<u>\$67,796</u>	<u>\$105,329</u>
Total Restricted Assets				<u>\$105,329</u>

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

NOTE 21 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to districts as a result of this change must be retroactive to July 2, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004, rather than in fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio districts. However, as of the January 25, 2002 the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 22 - COMPLIANCE

1. Contrary to Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
District Managed Student Activity	\$112,998	\$115,871	(\$2,873)
Martha Holden Jennings		2,382	(2,382)
Ohio Reads		7,847	(7,847)
Chapter I	66,285	66,662	(377)
Title VI-R	15,134	19,191	(4,057)
Food Service	223,771	265,408	(41,137)
Uniform School Supplies	56,897	61,431	(4,534)

2. Contrary to the requirements of Ohio Revised Code § 5705.10, the District did not comply with the following:

- The Emergency Repair Fund had deficit balances in amounts up to \$23,654 for the months of September 1999 through February 2000;
- The Uniform School Supplies Fund had deficit balances in amounts up to \$23,420 for the months August 1999 through May 2000;
- The Food Service Fund had deficit balances in amounts up to \$9,714 for the months of August 1999 through December of 1999; and,
- The District's homestead and rollback payment of \$15,239 was improperly posted to the General Fund when it should have been posted to the Permanent Improvement Fund. The financial statements were adjusted to reflect this amount.

3. Contrary to the requirements of Ohio Revised Code § 5704.41(D), the District did not certify potential expenditures prior to obligating the District.

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

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

To the Board of Education:

We have audited the financial statements of Hicksville Exempted Village School District (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10120-001, 2000-10120-002, and 2000-10120-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-10120-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 25, 2002.

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

Jim Petro
Auditor of State

January 25, 2002

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2000

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

FINDING NUMBER 2000-10120-001

Noncompliance Citation

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

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

- The Emergency Repair Fund had deficit balances in amounts up to \$23,654 for the months of September 1999 through February 2000;
- The Uniform School Supplies Fund had deficit balances in amounts up to \$23,420 for the months August 1999 through May 2000;
- The Food Service Fund had deficit balances in amounts up to \$9,714 for the months of August 1999 through December of 1999; and,
- The District's homestead and rollback payment of \$15,239 was improperly posted to the General Fund when it should have been posted to the Permanent Improvement Fund. The accounting records and financial statements were adjusted to reflect this amount.

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

FINDING NUMBER 2000-10120-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds were found to have expenditures which exceeded appropriations by the amounts indicated at June 30, 2000:

FINDING NUMBER 2000-10120-002
(Continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
District Managed Student Activity	\$112,998	\$115,871	(\$2,873)
Martha Holden Jennings		2,382	(2,382)
Ohio Reads		7,847	(7,847)
Chapter I	66,285	66,662	(377)
Title VI-R	15,134	19,191	(4,057)
Food Service	223,771	265,408	(41,137)
Uniform School Supplies	56,897	61,431	(4,534)

These amounts are aggregates of variances at the legal level of budgetary control which is at the fund, function, and object level.

In addition, for the period of March 2000 to May 2000 expenditures exceeded appropriations in the Extracurricular Activities line item by as much as \$11,991 in the District Managed Student Activity Fund; and for the period September 1999 through January 2000 expenditures exceeded appropriations in the Supplies and Materials line item by as much as \$50,300 in the Uniform School Supplies Fund.

Allowing expenditures to exceed appropriations could result in deficit spending. The District should regularly monitor budgets to ensure there is sufficient appropriations to fund anticipated expenditures.

FINDING NUMBER 2000-10120-003

Noncompliance Citation

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

The following exception to this basic requirement is provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.
- B. Amounts less than \$100 for counties, or less than \$1,000 for other political subdivision may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

FINDING NUMBER 2000-10120-003
(Continued)

Thirty-three percent of the transactions tested were not certified by the Treasurer prior to making orders for the expenditure of District funds. The Treasurer did not indicate these expenditures as “then and now” certifications.

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

FINDING NUMBER 2000-10120-004

Reportable Condition

The Board should regularly review and approve monthly budget versus actual reports for both revenues and expenditures to better monitor the financial goals of the District and to ensure compliance with budgetary laws.

There was no evidence that the Board was provided or reviewed budget versus actual revenues for funds other than the General Fund. We recommend the Treasurer provide the Board with monthly budget versus actual reports for all funds. These reports can be generated from the Uniform School Accounting System (USAS) that the District currently uses for its accounting records. The review and approval of these reports should be documented in the minutes and/or on the actual documents.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-10120-001	ORC § 5705.41 (B) Expenditures exceeding appropriations	No	Reissued as 2000-10120-002 - Not Corrected - Further corrective action will be taken by the District.



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HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2002**