



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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, 2001, 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, 2001, 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, 2001**

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in pooled cash and cash equivalents	\$986,828	\$106,554	\$94,120
Cash and cash equivalents with fiscal agent		1,841	
Receivables, net of allowance:			
Taxes	2,116,457		212,822
Accounts receivable	163		
Interest receivable	66		
Interfund Receivable	14,000		
Due from other governments	221,066		
Due from other funds	7,510		
Restricted Assets:			
Equity in pooled cash and cash equivalents	132,391		
Materials and supplies inventory	2,225	295	
Fixed assets (net, where applicable, of accumulated depreciation)			
Other Debits:			
Amount to be provided from general government resources			
Total assets and other debits	\$3,480,706	\$108,690	\$306,942
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$3,345		
Accrued salaries and benefits	471,474	\$10,419	
Due to other funds		7,510	
Due to other governments	97,120	2,237	
Due to students			
Interfund Payable		10,000	
Deferred revenue - taxes	1,984,575		\$195,760
Compensated absences payable	8,640	11,416	
Total Liabilities	2,565,154	41,582	195,760
Fund equity and other credits			
Investment in general fixed assets			
Retained earnings			
Fund balances:			
Reserved for encumbrances	69,591	19,228	28,058
Reserved for inventory	2,225	295	
Reserved for budget stabilization	28,806		
Reserved for textbooks and instructional materials	103,585		
Reserved for advances	14,000		
Reserved for property taxes advances available	175,413		17,062
Unreserved: Undesignated	521,932	47,585	66,062
Total fund equity and other credits	915,552	67,108	111,182
Total liabilities and fund equity and other credits	\$3,480,706	\$108,690	\$306,942

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			
\$4,253	\$42,201			\$1,233,956 1,841
431				2,329,279 594 66 14,000
7,928				228,994 7,510
5,896				132,391 8,416
82,446		\$4,491,826		4,574,272
			\$641,697	641,697
\$100,954	\$42,201	\$4,491,826	\$641,697	\$9,173,016
\$16,693				\$3,345 498,586 7,510
5,700			\$33,921	138,978
2,500	\$40,701 1,500			40,701 14,000
14,435			607,776	2,180,335 642,267
39,328	42,201		641,697	3,525,722
61,626		\$4,491,826		4,491,826 61,626
				116,877 2,520 28,806 103,585 14,000 192,475 635,579
61,626		4,491,826		5,647,294
\$100,954	\$42,201	\$4,491,826	\$641,697	\$9,173,016

**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, 2001**

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
REVENUES			
Taxes	\$2,271,896		\$158,071
Intergovernmental	3,118,851	\$132,942	67,220
Tuition and fees	70,380		
Earnings on investments	74,083		
Extracurricular activities		85,563	
Classroom materials and fees	6,666		
Miscellaneous	1,548	18,906	61,557
Total revenues	5,543,424	237,411	286,848
EXPENDITURES			
Instruction:			
Regular	2,651,285	68,225	75,849
Special	514,160	54,471	
Vocational	112,993		
Other	17,538		
Support services:			
Pupils	239,942	2,250	
Instructional staff	320,683	4,341	172
Board of education	24,239		
Administration	395,843	16,055	
Fiscal services	161,221		3,954
Operation and maintenance of plant	480,287	480	7,370
Pupil transportation	189,984	1,575	55,070
Central services	38,051	1,858	
Extracurricular activities	149,577	74,830	
Capital outlay	4,933		112,598
Non-instructional services	1,630		6,970
Total expenditures	5,302,366	224,085	261,983
Excess of revenues over (under) expenditures	241,058	13,326	24,865
OTHER FINANCING SOURCES (USES)			
Transfers - out	(27,883)		
Other sources of funds	15,076	16,080	
Total other financing sources (uses)	(12,807)	16,080	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	228,251	29,406	24,865
Fund balance, beginning of year	687,301	37,702	86,317
Fund balance, end of year	\$915,552	\$67,108	\$111,182

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

FIDUCIARY FUND TYPE	Totals (Memorandum Only)
Expendable Trust	
	\$2,429,967
	3,319,013
	70,380
	74,083
	85,563
	6,666
<u>\$600</u>	<u>82,611</u>
<u>600</u>	<u>6,068,283</u>
	2,795,359
	568,631
	112,993
	17,538
	242,192
	325,196
600	24,839
	411,898
	165,175
	488,137
	246,629
	39,909
	224,407
	117,531
	8,600
<u>600</u>	<u>5,789,034</u>
	<u>279,249</u>
	(27,883)
	<u>31,156</u>
	<u>3,273</u>
	282,522
	811,320
	<u>\$1,093,842</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, 2001**

	General Fund		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Taxes	\$2,301,433	\$2,243,150	(\$58,283)
Tuition and fees	70,380	70,380	
Intergovernmental	3,134,072	3,118,854	(15,218)
Earnings on investments	68,421	74,103	5,682
Extracurricular activities			
Classroom materials and fees	6,666	6,666	
Miscellaneous	1,452	1,452	
Total revenues	<u>5,582,424</u>	<u>5,514,605</u>	<u>(67,819)</u>
EXPENDITURES			
Instruction:			
Regular	10,843	2,653,690	(2,642,847)
Special	105	505,591	(505,486)
Vocational		111,425	(111,425)
Other		17,538	(17,538)
Support services:			
Pupils	2,213	253,942	(251,729)
Instructional staff	8,494	322,465	(313,971)
Board of education		24,241	(24,241)
Administration	480	392,988	(392,508)
Fiscal services	75	160,849	(160,774)
Capital outlay	9,388	9,388	
Operation and maintenance of plant	13,186	485,675	(472,489)
Pupil transportation	761	207,548	(206,787)
Central services		38,051	(38,051)
Non-instructional services		1,630	(1,630)
Extracurricular activities	50	148,830	(148,780)
Total expenditures	<u>45,595</u>	<u>5,333,851</u>	<u>(5,288,256)</u>
Excess of revenue over (under) expenditures	<u>5,536,829</u>	<u>180,754</u>	<u>(5,356,075)</u>
OTHER FINANCING SOURCES AND (USES)			
Advances - in	16,055	36,055	20,000
Advances - out		(7,510)	(7,510)
Transfers - out		(27,883)	(27,883)
Other sources (uses)	15,076	15,076	
Total other financing sources (uses)	<u>31,131</u>	<u>15,738</u>	<u>(15,393)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	5,567,960	196,492	(5,371,468)
Fund balance beginning of year	804,197	804,197	
Prior year encumbrances appropriated	45,595	45,595	
Fund balance end of year	<u>\$6,417,752</u>	<u>\$1,046,284</u>	<u>(\$5,371,468)</u>

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$161,200	\$151,931	(\$9,269)
\$113,568	\$151,025	\$37,457	18,317	67,221	48,904
48,107	85,563	\$37,456			
18,745	18,906	161	21,683	61,557	39,874
180,420	255,494	75,074	201,200	280,709	79,509
7,539	70,320	(62,781)	5,136	75,849	(70,713)
	57,524	(57,524)			
	2,265	(2,265)			
	4,341	(4,341)		172	(172)
	15,520	(15,520)			
				3,954	(3,954)
	480	(480)		112,598	(112,598)
	1,575	(1,575)		7,370	(7,370)
	2,108	(2,108)		83,128	(83,128)
				6,970	(6,970)
10,471	93,101	(82,630)			
18,010	247,234	(229,224)	5,136	290,041	(284,905)
162,410	8,260	(154,150)	196,064	(9,332)	(205,396)
7,510	7,510				
(26,055)	(26,055)				
16,080	16,080				
(2,465)	(2,465)				
159,945	5,795	(154,150)	196,064	(9,332)	(205,396)
63,542	63,542		70,258	70,258	
18,010	18,010		5,136	5,136	
\$241,497	\$87,347	(\$154,150)	\$271,458	\$66,062	(\$205,396)

(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, 2001**

	Expendable Trust Funds		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Taxes			
Tuition and fees			
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 services			
Capital outlay			
Operation and maintenance of plant			
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 - 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)
\$2,462,633	\$2,395,081	(\$67,552)
70,380	70,380	
3,265,957	3,337,100	71,143
68,421	74,103	5,682
48,107	85,563	37,456
6,666	6,666	
42,480	82,515	40,035
<u>5,964,644</u>	<u>6,051,408</u>	<u>86,764</u>
23,518	2,799,859	(2,776,341)
105	563,115	(563,010)
	111,425	(111,425)
	17,538	(17,538)
2,213	256,207	(253,994)
8,494	326,978	(318,484)
600	24,841	(24,241)
480	408,508	(408,028)
75	164,803	(164,728)
9,388	121,986	(112,598)
13,186	493,525	(480,339)
761	292,251	(291,490)
	40,159	(40,159)
	8,600	(8,600)
10,521	241,931	(231,410)
<u>69,341</u>	<u>5,871,726</u>	<u>(5,802,385)</u>
<u>5,895,303</u>	<u>179,682</u>	<u>(5,715,621)</u>
23,565	43,565	20,000
(26,055)	(33,565)	(7,510)
	(27,883)	(27,883)
<u>31,156</u>	<u>31,156</u>	
<u>28,666</u>	<u>13,273</u>	<u>(15,393)</u>
5,923,969	192,955	(5,731,014)
937,997	937,997	
68,741	68,741	
<u>\$6,930,707</u>	<u>\$1,199,693</u>	<u>(\$5,731,014)</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, 2001**

	PROPRIETARY FUND TYPE
	Enterprise Funds
OPERATING REVENUES	
Charges for services	\$165,933
Classroom materials and fees	58,166
Other operating revenues	1,314
Total operating revenues	225,413
OPERATING EXPENSES	
Salaries and wages	101,629
Fringe benefits	36,799
Purchased services	1,048
Materials and supplies	184,599
Depreciation	7,410
Loss on disposal of equipment	1,211
Other operating expenses	276
Total operating expenses	332,972
Operating loss	(107,559)
NON-OPERATING REVENUES	
Intergovernmental	49,605
Other non-operating revenue	2,793
Federal Donated Commodities	22,719
Transfers in	27,500
Total non-operating revenues	102,617
Net loss	(4,942)
Retained earnings, beginning of year	66,568
Retained earnings, end of year	\$61,626

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, 2001**

	<u>PROPRIETARY FUND TYPE</u>
	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	(\$107,559)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	7,410
Loss on disposal of equipment	1,211
(Increase) decrease in assets:	
Accounts receivable	(432)
Materials and supplies	1,013
Due from other governments	6,314
Increase (decrease) in liabilities:	
Accounts payable	(200)
Accrued salaries and benefits payable	2,433
Due to other governments	(120)
Interfund Payable	<u>(10,000)</u>
Total adjustments	<u>7,629</u>
Net cash used by operating activities	<u>(99,930)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Intergovernmental	49,605
Government donated commodities	22,719
Other non-operating revenue	2,793
Purchase of fixed assets	(45,988)
Transfers in	<u>27,500</u>
Net cash provided by non-capital financing activities	<u>56,629</u>
Net decrease in cash and cash equivalents	(43,301)
Cash and cash equivalents, beginning of year	<u>47,554</u>
Cash and cash equivalents, end of year	<u><u>\$4,253</u></u>

The food service fund consumed donated commodities with a value of \$22,719. The 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, 2001**

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 noncertified and 68 certified full time teaching personnel who provide services to 1,048 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For 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 has no component units.

The District is associated with organizations which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County 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, 2001
(Continued)**

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

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

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

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

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

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

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

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

Fiduciary Fund Types - Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include expendable trust, 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, 2001
(Continued)**

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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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.

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, 2001, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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.

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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 2001. Prior to year-end, the District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations

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

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D. Cash and Cash Equivalents

To improve cash management, all cash received by the 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 2001. 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, 2001.

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 \$70,083 was credited to the General Fund. Notwithstanding Ohio statutes, \$14,613 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

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capitalization threshold of \$500 except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The District does not possess any infrastructure.

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

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase

Non-Reimbursable Grants

Special Revenue Funds

Title VIB - Flow Through
Eisenhower Grant/Title II
Title I
Title VI
Title VI-R
Disadvantaged Pupil Impact Aid
Drug Free Schools
Preschool Disabilities
Educational Management Information System
Professional Development Grant
Ohio Reads Program
Network Connection
School Net Professional Development
Summer School Subsidy

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Capital Projects Funds

School Net
One Net
Praise
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

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

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to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

L. Interfund Transactions

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

M. Fund Balance Reserves

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

N. Estimates

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

O. Pass-Through Grants

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

P. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present 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.

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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.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund				
	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$228,251	\$29,406	\$24,865	
Revenue Accruals	(28,819)	18,083	(6,139)	
Expenditure Accruals	41,450	(3,942)		
Other Sources/Uses	28,545	(18,545)		
Encumbrances	(72,935)	(19,207)	(28,058)	
Budgetary Basis	\$196,492	\$5,795	(\$9,332)	

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.

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The Ohio State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating 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.

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During fiscal year 2001, the District's investments were limited to STAR Ohio.

At fiscal year end, the District had \$145 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

At year end, the District had \$1,841 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 \$740,654 and the bank balance was \$849,884. \$140,279 of the bank balance was covered by federal depository insurance. \$709,605 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments

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

	Carrying Value	Market Value
STAR Ohio, Unclassified	\$625,548	\$625,548

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	\$1,368,188	
Cash on Hand	(145)	
Cash with Fiscal Agent	(1,841)	
Investments:		
STAR Ohio	(625,548)	625,548
GASB Statement 3	\$740,654	\$625,548

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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 2001 taxes are based as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$56,483,890	76.59%	\$57,406,120	76.72%
Public Utility Personal	5,689,870	7.72%	5,352,430	7.15%
Tangible Personal Property	11,572,258	15.69%	12,023,059	16.07%
Total	<u>\$73,746,018</u>	<u>100.00%</u>	<u>\$74,829,609</u>	<u>100.00%</u>
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, 2001, are available to finance fiscal year 2001 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, 2001. 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, 2001 was \$192,475 and is recognized as revenue. \$175,413 was available to the general fund and \$17,062 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

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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, 2001, consisted of taxes, accounts, 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:

Intergovernmental Receivables	Amounts
General Fund:	
Income Taxes	\$221,066
Enterprise Funds:	
Other Food Reimbursements	7,928
Total Intergovernmental Receivables	\$228,994

NOTE 8 - FIXED ASSETS

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

	Balance at 6/30/00	Additions	Deductions	Balance at 6/30/01
Land and Land Improvements	\$46,805			\$46,805
Buildings	3,000,478			3,000,478
Furniture, fixtures and equipment	881,560	\$210,368	\$156,676	935,252
Vehicles	507,318	58,720	56,747	509,291
Total	\$4,436,161	\$269,088	\$213,423	\$4,491,826

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

	Balance at 6/30/00	Additions	Deductions	Balance at 6/30/01
Furniture, fixtures and equipment	\$81,099	\$45,988	\$2,691	\$124,396
Accumulated depreciation	(36,021)	(7,409)	(1,480)	(41,950)
Total	\$45,078	\$38,579	\$1,211	\$82,446

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

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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 current rate is 14% of annual covered payroll, for fiscal year 2000, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were \$93,679, \$91,450 and \$86,070, respectively; 42.4 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$53,954 representing the unpaid contribution for fiscal year 2001, 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; 12 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, 2001, 2000, and 1999 were \$409,682, \$384,874 and \$356,542, respectively; 82.3 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$72,444 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 members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POST EMPLOYMENT 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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. (June 30, 2000 is the latest date for which information is available.)

B. School Employees Retirement System

The Ohio Revised Code gives School Employees Retirement System (SERS) the discretionary authority to provide post retirement 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.

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.)

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

The District's actual contributions for the 2001 fiscal year were \$58,526 for STRS and \$59,654 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 days 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, 2001 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 \$8,640 and \$607,776 respectively. The liability for compensated absences in the proprietary funds at June 30, 2001 was \$14,435. The liability for compensated absences in the special revenue funds at June 30, 2001 was \$11,416.

NOTE 12 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2001, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at June 30, 2000	Additions	Reductions	Balance at June 30, 2001
Compensated absences payable	\$562,818	\$44,958		\$607,776
SERS and SERS surcharge	33,871	50		33,921
Total	<u>\$596,689</u>	<u>\$45,008</u>		<u>\$641,697</u>

There was no debt outstanding at June 30, 2001.

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, 2001 was as follows:

	Food Service	Uniform School Supplies	Vocational Education	Total Enterprise Funds
Operating Revenues	\$167,247	\$58,166		\$225,413
Depreciation	7,410			7,410

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	Food Service	Uniform School Supplies	Vocational Education	Total Enterprise Funds
Operating Income (Loss)	(105,715)	(1,844)		(107,559)
Operating Grants	49,605			49,605
Government Donated Commodities	22,719			22,719
Net Income (Loss)	(5,598)	656		(4,942)
Fixed Asset Additions	45,988			45,988
Fixed Asset Deletions	2,691			2,691
Total Assets	98,896	1,225	\$833	100,954
Total Liabilities	39,328			39,328
Total Equity (deficit)	59,568	1,225	833	61,626
Net working capital	(22,878)	1,225	833	(20,820)

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 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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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, vision, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

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, vision, and life insurance plans. The health, drug, vision, 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 2001, the Hicksville Exempted Village School District contributed a total of \$449,485 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' Compensation Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as an insurance pool.

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

NOTE 17 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001 consist of the following individual fund receivables and payables.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	Due From Other Funds	Due To Other Funds
General Fund	\$7,510	
Title 1 Fund		\$7,500
Drug Free Fund		10
Total	\$7,510	\$7,510

	Interfund Receivable	Interfund Receivable
General Fund	\$14,000	
Title 1 Fund		\$10,000
Food Service Fund		2,500
Hixonian (Yearbook) Fund		1,500
Total	\$14,000	\$14,000

NOTE 18 - TRANSFERS

Transfers for the fiscal year ended June 30, 2001 consisted of the following:

	Transfers In	Transfers Out
Agency Funds	\$383	
Enterprise Funds	27,500	
General Fund		\$27,883
Total transfers	\$27,883	\$27,883

NOTE 19 - AGENCY FUNDS

Combined Statement of Changes in Assets and Liabilities

	Balance at July 1, 2000	Additions	Deductions	Balance at June 30, 2001
Cash	\$22,408	\$61,685	\$41,892	\$42,201
Other liabilities	\$22,408	\$61,685	\$41,892	\$42,201

NOTE 20 – STATUTORY RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance, June 30, 2000	\$37,533		\$67,796	\$105,329
Current Year Set-Aside Requirement	124,405	\$124,405		248,810
Current Year Offsets		(185,886)		(185,886)
Legislative Reduction			(38,990)	(38,990)
Qualifying Disbursements	(58,352)	(119,785)		(178,137)
Total	<u>\$103,586</u>	<u>(\$181,266)</u>	<u>\$28,806</u>	<u>(\$48,874)</u>
Cash Balance Carried Forward to FY 2002	<u>\$103,585</u>		<u>\$28,806</u>	<u>\$132,391</u>
Total Restricted Assets				<u>\$132,391</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 school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school 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 school districts. However, as of January 25, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school 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 school 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 22 - COMPLIANCE

1. Contrary to the requirements of Ohio Revised Code § 5705.10, the District did not comply with the following:
 - The Food Service Fund had deficit balances in amounts up to \$18,539 for the months of September 2000 through May 2001;
 - The Uniform School Supplies Fund had deficit balances in amounts up to \$35,214 for the months July 2000 through May 2001;
 - The District's homestead and rollback payment of \$15,221 was improperly posted to the General Fund when it should have been posted to the Permanent Improvement Fund.
2. 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, 2001:

Fund	Appropriations	Actual Expenditures	Variance
General	\$45,595	\$5,361,734	(\$5,316,139)
Public School Support	533	11,010	(10,477)
District Managed Student Activity	10,471	110,484	(100,013)
Martha Holden Jennings		181	(181)
Teacher Development	2,791	7,749	(4,958)
Management Information System		5,000	(5,000)
Disadvantaged Pupil Impact Aid		9,417	(9,417)
Ohio SchoolNet Professional Development		1,972	(1,972)
Ohio Reads	4,709	14,433	(9,724)
Extended Learning Opportunity		3,467	(3,467)
Chapter I		59,847	(59,847)
Title VI		4,135	(4,135)
Drug Free Schools		3,713	(3,713)
Title VI-R		14,379	(14,379)
Title VI-R, School to Work		1,447	(1,447)
Capital Project	1,586	232,340	(230,754)
School Net Funds	1,255	56,747	(55,492)
Emergency Repair		600	(600)
Food Service	41,825	285,127	(243,302)
Uniform School Supplies		59,294	(59,294)

3. Contrary to the requirements of Ohio Revised Code § 5705.41(D), the District did not certify expenditures prior to obligating the District.
4. Contrary to the requirements of Ohio Revised Code § 5705.39, the District did not submit appropriation measures to the County Auditor for certification.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 23 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.



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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, 2001, 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 2001-10120-001, 2001-10120-002, 2001-10120-003, and 2001-10120-004. 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. The reportable condition is described in the accompanying schedule of findings as item 2000-10120-005.

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, 2001.

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, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-10120-001

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 Food Service Fund had deficit balances in amounts up to \$18,539 for the months of September 2000 through May of 2001;
- The Uniform School Supplies Fund had deficit balances in amounts up to \$ 35,214 for the months July 2000 through May 2001;
- The District's homestead and rollback payment of \$15,221 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 2001-10120-002

Noncompliance Citation

Ohio Revised Code § 5705.39 states that no appropriation measure shall become effective until the County Auditor files with the Superintendent of the District, a certificate that the total appropriations from each fund, taken together with all the other outstanding appropriations, do not exceed the official amended certificate or amended official certificate. No appropriation measures of the Board were ever submitted to the County Auditor for certification for fiscal year 2001. We recommend that the Treasurer submit all appropriation measures and subsequent modifications to the County Auditor so that each respective measure can be made effective.

FINDING NUMBER 2001-10120-003

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.

Twenty-six 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 2001-10120-004

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, 2001:

Fund	Appropriations	Actual Expenditures	Variance
General	\$45,595	\$5,361,734	(\$5,316,139)
Public School Support	533	11,010	(10,477)
District Managed Student Activity	10,471	110,484	(100,013)
Martha Holden Jennings		181	(181)
Teacher Development	2,791	7,749	(4,958)
Management Information System		5,000	(5,000)

FINDING NUMBER 2001-10120-004
(Continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Disadvantaged Pupil Impact Aid		9,417	(9,417)
Ohio SchoolNet Professional Development		1,972	(1,972)
Ohio Reads	4,709	14,433	(9,724)
Extended Learning Opportunity		3,467	(3,467)
Chapter I		59,847	(59,847)
Title VI		4,135	(4,135)
Drug Free Schools		3,713	(3,713)
Title VI-R		14,379	(14,379)
Title VI-R, School to Work		1,447	(1,447)
Capital Project	1,586	232,340	(230,754)
School Net Funds	1,255	56,747	(55,492)
Emergency Repair		600	(600)
Food Service	41,825	285,127	(243,302)
Uniform School Supplies		59,294	(59,294)

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

Due to the fact that the District did not have any appropriations in effect in fiscal year 2001, as indicated in finding number 2001-10120-002, expenditures exceeded appropriations in all lines items, except where there was sufficient carry over encumbrances to cover the expenditures.

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

FINDING NUMBER 2001-10120-005

Reportable Condition - Monitoring of Budgets

The Board should regularly monitor budget versus actual reports for both revenues and expenditures to ensure that the financial goals of the District are met and to ensure compliance with budgetary laws. This would include, for example, the Board comparing those reports to the legally adopted budget and subsequent amendments to ascertain that the budgetary reports are accurate representations of what the Board had specifically adopted in the minute records.

There was no evidence that the Board was provided or reviewed budget versus actual revenues for funds other than the General Fund. Furthermore, the District does not have a system to ensure that appropriations entered to the accounting/budgetary system correspond to what had been adopted by the Board. Finally, there was a lack of documentation in the minutes of the Board meetings to support amounts the Board approved for the original appropriation measures, subsequent amendments to appropriations, and the five year forecasts.

FINDING NUMBER 2001-10120-005
(Continued)

We recommend that copies of any budget documents approved by the Board be included as part of the minutes. In addition, the Treasurer should provide the Board with monthly budget versus actual revenue 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 Treasurer should develop procedures to periodically compare appropriations posted to the USAS system to those adopted by the Board. The Board should review these reports and determine if the amounts are reasonable, and follow-up on unexpected variances as appropriate. 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
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10120-001	Revised Code § 5705.10, deficit fund balances and misposting of revenues	No	Reissued as finding number 2001-10120-001. Not Corrected. Further corrective action will be taken by the District.
2000-10120-002	Revised Code § 5705.41(B), expenditures exceeded appropriations	No	Reissued as finding number 2001-10120-004. Not Corrected. Further corrective action will be taken by the District.
2000-10120-003	Revised Code § 5705.41(d), failure to encumber funds	No	Reissued as finding number 2001-10120-003. Not Corrected. Further corrective action will be taken by the District.
2000-10120-004	Insufficient Budgetary Monitoring	No	Reissued as finding number 2001-10120-005. Not Corrected. Further corrective action will be taken by the District.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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**