



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Hicksville Exempted Village School District  
Defiance County  
105 East Smith Street  
Hicksville, Ohio 43526-1110

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hicksville Exempted Village School District, Defiance County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hicksville Exempted Village School District, Defiance County, Ohio, as of June 30, 2007 and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting in Note 2 describes.

As described in Note 3, for the year ended June 30, 2007, the District ceased reporting in accordance with accounting principles generally accepted in the United States of America and began reporting on the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 15, 2008

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

The discussion and analysis of the financial performance of Hicksville Exempted Village School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets decreased \$3,778,091.
- General revenues accounted for \$8,479,118, or 45 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and contributions, and capital contributions accounted for \$10,293,625 or 55 percent of total revenues of \$18,772,743.
- The General Fund, the Bond Retirement Fund, the Building/Land Local Funding Initiative (LFI) Fund, and the Ohio School Classroom Facilities (OSCF) Fund are the District's major funds. The General Fund had \$8,180,926 in revenues and other financing sources and \$7,004,125 in expenditures. The General Fund's balance increased \$1,176,801 from the prior fiscal year.
- The Bond Retirement Fund had \$650,513 in revenues and \$10,630,336 in expenditures. The Bond Retirement Fund's balance decreased \$9,979,823 from the prior fiscal year.
- The Building/Land LFI Fund had \$144,569 in revenues and \$50,572 in expenditures. The Building/Land LFI Fund's balance increased \$93,997 from the prior fiscal year.
- The OSCF Fund had \$8,607,984 in revenues and \$3,839,278 in expenditures. The OSCF Fund's balance increased \$4,768,706 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

The General Fund, the Bond Retirement Fund, the Building/Land LFI Fund, and the OSCF Fund are the District's only major funds.

**Reporting the District as a Whole**

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal year 2007. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

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

In the statement of net assets and the statement of activities, the District discloses a single type of activity, its governmental activities, which include its programs and services, are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund, the Bond Retirement Fund, the Building/Land LFI Fund, and the OSCF Fund are the District's major funds.

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

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



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006 on the cash basis.

**Table 1  
Net Assets  
Governmental Activities**

	2007	2006
<b><u>Assets:</u></b>		
Current and Other Assets	\$18,152,486	\$21,930,577
Total Assets	18,152,486	21,930,577
<b><u>Net Assets:</u></b>		
Restricted for Debt Service	175,126	10,154,949
Restricted for Capital Outlay	15,524,371	10,543,227
Restricted for Other Purposes	165,897	122,110
Unrestricted	2,287,092	1,110,291
Total	\$18,152,486	\$21,930,577

As mentioned previously, net assets of governmental activities decreased \$3,778,091 during 2007. The primary reason for the decrease was the District's retirement of the bond anticipation notes in July 2006. The District had held both the bond and bond anticipation note proceeds as of June 30, 2006.

Table 2 reflects the changes in net assets for fiscal year 2007. This is the first year of implementation of the cash basis of accounting. Comparative figures are not available for fiscal year 2006. A comparative analysis will be provided in future years when prior year information is available.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

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

	<b>2007</b>
<b><u>Revenues:</u></b>	
Program Revenues:	
Charges for Services and Sales	\$689,342
Operating Grants, Contributions and Interest	851,730
Capital Grants and Contributions	8,752,553
Total Program Revenues	10,293,625
General Revenues:	
Property Taxes	2,400,890
Income Taxes	1,432,885
Grants and Entitlements	4,216,457
Investment Earnings	293,297
Gifts and Donations	97,163
Miscellaneous	25,182
Proceeds from Sale of Capital Assets	5,050
Refund of Prior Year Expenditures	8,194
Total General Revenues	8,479,118
Total Revenues	18,772,743
 <b><u>Expenses:</u></b>	
Instruction	4,772,837
Support Services:	
Pupils	387,948
Instructional Staff	385,044
Board of Education	102,837
Administration	726,590
Fiscal	230,544
Operation and Maintenance of Plant	501,113
Pupil Transportation	223,856
Central	38,995
Non-Instructional	299,357
Extracurricular Activities	374,697
Capital Outlay	3,853,850
Debt Service:	
Principal	9,963,026
Interest and Fiscal Charges	690,140
Total Expenses	22,550,834
Decrease in Net Assets	\$(3,778,091)

Program receipts account for 55 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

With the exception of Debt Service expenditures (Principal, Interest and Fiscal Charges), the major program disbursements for governmental activities are for instruction, which accounts for 21 percent of all governmental disbursements. Capital outlay for the constructions of new school buildings account for 17 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 4 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 2 percent. Debt principal and interest payments for bonds, notes, and mortgages represent 47 percent of disbursements. The remaining 9 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2007</u>	<u>2007</u>
Instruction	\$4,772,837	\$3,726,037
Support Services:		
Pupils	387,948	282,712
Instructional Staff	385,044	363,376
Board of Education	102,837	102,837
Administration	726,590	711,653
Fiscal	230,544	230,544
Operation and Maintenance of Plant	501,113	500,783
Pupil Transportation	223,856	210,550
Central	38,995	38,995
Non-Instructional	299,357	122,913
Extracurricular Activities	374,697	214,096
Capital Outlay	3,853,850	(4,898,703)
Debt Service:		
Principal	9,963,026	9,961,276
Interest and Fiscal Charges	690,140	690,140
Total Expenses	<u>\$22,550,834</u>	<u>\$12,257,209</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 78 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 54 percent. The remaining 46 percent is derived from tuition and fees, specific grants, and donations.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Building/Land LFI Fund, and the OSCF Fund. Total governmental funds had revenues and other financing sources of \$18,785,143 and expenditures and other financing uses of \$22,563,234.

The General Fund's fund balance increased \$1,176,801 which was primarily attributed to a 30 percent increase in income taxes (\$335,308).

The Bond Retirement Fund's fund balance decreased \$9,979,823 was due to the retirement of the bond anticipation notes and the payments on long term bonds.

The Building/Land LFI Fund's fund balance increased \$93,997 due to investment earnings exceeding LFI expenditures for costs related to the construction of the new school building.

The OSFC Fund's fund balance increased \$4,768,706 due to intergovernmental revenues received from the Ohio School Classroom Facilities Commission and investment earnings exceeding expenditures for the construction of the new school building.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources decreased less than 1 percent from the original budget. Actual revenues and other financing sources were more than 8 percent greater than the final budgeted revenues. Income tax collections and intergovernmental revenues exceeded those amounts anticipated.

Final appropriations (expenditures and other financing uses) increased more than 5 percent from the original budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 was \$7,076,987, which was \$1,525,036 (17 percent) less than the final budgeted appropriations. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Debt**

The District entered into a note payable for the amount of \$154,806 to purchase land for the construction of the new District school building. The note which will mature in March 2010 has a balance outstanding of \$81,156.

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

At June 30, 2007, the District's overall legal debt margin was (\$2,541,125), with an un-voted debt margin of \$83,000. Ohio Revised Code § 133.06 (I) allows a school district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program. For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

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

The District is currently operating in the second year of the state biennium budget. 43.1 percent of District revenue sources are from local funds, 52.2 percent is from state funds and the remaining 4.7 percent is from federal funds. The total expenditure per pupil was calculated at \$7,821.

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

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

The District is currently in the construction phase of the project with completion and move in slated for the winter of 2008.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Barbara Sprow-Kieffer, Treasurer, Hicksville Exempted Village School District, 105 East Smith Street, Hicksville, Ohio 43526-1110.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Net Assets - Cash Basis  
June 30, 2007**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 18,152,486
Total Assets	<u>18,152,486</u>
<b>NET ASSETS:</b>	
Restricted for Debt Service	175,126
Restricted for Capital Outlay	15,524,371
Restricted for Other Purposes	165,897
Unrestricted	<u>2,287,092</u>
Total Net Assets	<u>\$ 18,152,486</u>

See Accompanying Notes and Accountant's Report to the Basic Financial Statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,530,481	\$ 345,936	\$ 223,298	\$ (2,961,247)
Special	1,056,925		457,981	(598,944)
Vocational	185,431		19,585	(165,846)
Support Services:				
Pupils	387,948		105,236	(282,712)
Instructional Staff	385,044		21,668	(363,376)
Board of Education	102,837			(102,837)
Administration	726,590	9,937	5,000	(711,653)
Fiscal	230,544			(230,544)
Operation and Maintenance of Plant	501,113	330		(500,783)
Pupil Transportation	223,856		13,306	(210,550)
Central	38,995			(38,995)
Operation of Non-Instructional Services	299,357	172,538	3,906	(122,913)
Extracurricular Activities	374,697	160,601		(214,096)
Capital Outlay	3,853,850			4,898,703
Principal	9,963,026		1,750	(9,961,276)
Interest and Fiscal Charges	690,140			(690,140)
<b>Totals</b>	<b>\$ 22,550,834</b>	<b>\$ 689,342</b>	<b>\$ 851,730</b>	<b>\$ 8,752,553</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,644,977
Property Taxes, Levies for Capital Outlay				136,878
Property Taxes, Levied for Debt Service				584,816
Property Taxes, Levied for Other Purposes				34,219
Income Taxes				1,432,885
Grants and Entitlements not Restricted to Specific Programs				4,216,457
Gifts and Donations				97,163
Investment Earnings				293,297
Miscellaneous				25,182
Proceeds from Sale of Capital Assets				5,050
Refund of Prior Year Expenditures				8,194
<b>Total General Revenues</b>				<b>8,479,118</b>
Change in Net Assets				(3,778,091)
Net Assets Beginning of Year				21,930,577
Net Assets End of Year				<b>\$ 18,152,486</b>

See Accompanying Notes and Accountant's Report to the Basic Financial Statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2007**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Building/Land LFI Fund</b>	<b>OSFC Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,287,092	\$ 175,126	\$ 3,136,440	\$ 12,003,717	\$ 550,111	\$ 18,152,486
<b>Total Assets</b>	<b>\$ 2,287,092</b>	<b>\$ 175,126</b>	<b>\$ 3,136,440</b>	<b>\$ 12,003,717</b>	<b>\$ 550,111</b>	<b>\$ 18,152,486</b>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	72,862		110,963		63,694	247,519
Unreserved, Undesignated, Reported in:						
General Fund	2,214,230					2,214,230
Special Revenue Funds					142,699	142,699
Debt Service Funds		175,126				175,126
Capital Projects Funds			3,025,477	12,003,717	343,718	15,372,912
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,287,092</b>	<b>\$ 175,126</b>	<b>\$ 3,136,440</b>	<b>\$ 12,003,717</b>	<b>\$ 550,111</b>	<b>\$ 18,152,486</b>

See Accompanying Notes and Accountant's Report to the Basic Financial Statements



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**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building/Land LFI Fund</u>
<b>CASH RECEIPTS:</b>			
Property and Other Local Taxes	\$ 1,644,977	\$ 584,816	
Income Tax	1,432,885		
Intergovernmental	4,469,126	63,947	
Interest	293,297	1,750	144,569
Tuition and Fees	282,699		
Rent	330		
Extracurricular Activities			
Gifts and Donations	26,022		
Customer Sales and Services			
Miscellaneous	18,346		
Total Revenues	8,167,682	650,513	144,569
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	3,305,396		
Special	880,972		
Vocational	185,431		
Support Services:			
Pupils	280,173		
Instructional Staff	352,116		
Board of Education	99,637		
Administration	706,975		
Fiscal	213,504	13,170	
Operation and Maintenance of Plant	495,412		
Pupil Transportation	223,856		
Central	36,027		
Operation of Non-Instructional Services	12,035		
Extracurricular Activities	212,591		
Capital Outlay			14,572
Debt Service:			
Principal		9,930,000	33,026
Interest		687,166	2,974
Total Expenditures	7,004,125	10,630,336	50,572
Excess of Revenues Over (Under) Expenditures	1,163,557	(9,979,823)	93,997
<b>OTHER FINANCING SOURCES AND USES:</b>			
Transfers In			
Proceeds from Sale of Capital Assets	5,050		
Refund of Prior Year Expenditures	8,194		
Transfers Out			
Total Other Financing Sources and Uses	13,244		
Net Change in Fund Balances	1,176,801	(9,979,823)	93,997
Fund Balance at Beginning of Year	1,110,291	10,154,949	3,042,443
Fund Balance at End of Year	\$ 2,287,092	\$ 175,126	\$ 3,136,440

See Accompanying Notes and Accountant's Report to the Basic Financial Statements

<u>OSFC Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
	171,097	2,400,890
		1,432,885
8,270,070	533,364	13,336,507
337,914		777,530
	60,237	342,936
		330
	170,538	170,538
	71,141	97,163
	175,538	175,538
	6,836	25,182
<u>8,607,984</u>	<u>1,188,751</u>	<u>18,759,499</u>
	225,085	3,530,481
	175,953	1,056,925
		185,431
	107,775	387,948
	32,928	385,044
	3,200	102,837
	19,615	726,590
	3,870	230,544
	5,701	501,113
		223,856
	2,968	38,995
	287,322	299,357
	162,106	374,697
3,839,278		3,853,850
		9,963,026
		690,140
<u>3,839,278</u>	<u>1,026,523</u>	<u>22,550,834</u>
<u>4,768,706</u>	<u>162,228</u>	<u>(3,791,335)</u>
	12,400	12,400
		5,050
		8,194
	(12,400)	(12,400)
		13,244
<u>4,768,706</u>	<u>162,228</u>	<u>(3,778,091)</u>
<u>7,235,011</u>	<u>387,883</u>	<u>21,930,577</u>
\$ <u>12,003,717</u> \$	\$ <u>550,111</u> \$	\$ <u>18,152,486</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual Comparison  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>CASH RECEIPTS:</b>				
Property and Other Local Taxes	\$ 1,705,693	\$ 1,705,693	\$ 1,644,977	\$ (60,716)
Income Tax	1,146,145	1,146,145	1,432,885	286,740
Intergovernmental	4,225,829	4,218,168	4,469,126	250,958
Interest	162,746	162,746	293,297	130,551
Tuition and Fees	265,170	265,000	282,699	17,699
Rent	100	30	330	300
Gifts and Donations	300	300	26,022	25,722
Miscellaneous	500	208	18,346	18,138
Total Revenues	<u>7,506,483</u>	<u>7,498,290</u>	<u>8,167,682</u>	<u>669,392</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,336,349	3,488,410	3,309,926	178,484
Special	793,533	915,516	883,000	32,516
Vocational	160,548	189,710	187,757	1,953
Support Services:				
Pupils	245,144	293,472	280,966	12,506
Instructional Staff	337,119	393,989	355,975	38,014
Board of Education	35,881	116,672	110,342	6,330
Administration	684,394	719,250	708,828	10,422
Fiscal	211,820	220,341	215,509	4,832
Operation and Maintenance of Plant	504,946	580,701	520,953	59,748
Pupil Transportation	236,551	240,171	230,922	9,249
Central	43,025	48,310	48,183	127
Operation of Non-Instructional Services	14,688	26,788	12,035	14,753
Extracurricular Activities	213,043	218,983	212,591	6,392
Capital Outlay	16,610	16,610	16,610	16,610
Total Expenditures	<u>6,833,651</u>	<u>7,468,923</u>	<u>7,076,987</u>	<u>391,936</u>
Excess of Revenues Over Expenditures	<u>672,832</u>	<u>29,367</u>	<u>1,090,695</u>	<u>1,061,328</u>
Other Financing Sources and Uses:				
Advances In	10,000	10,000		(10,000)
Proceeds from Sale of Capital Assets		25	5,050	5,025
Refund of Prior Year Expenditures		5,774	8,194	2,420
Transfers Out	(25,000)			
Other Financing Uses	(1,282,710)	(1,133,100)		1,133,100
Total Other Financing Sources and Uses	<u>(1,297,710)</u>	<u>(1,117,301)</u>	<u>13,244</u>	<u>1,130,545</u>
Net Change in Fund Balances	(624,878)	(1,087,934)	1,103,939	2,191,873
Fund Balance at Beginning of Year	1,055,768	1,055,768	1,055,768	
Prior Year Encumbrances Appropriated	54,523	54,523	54,523	
Fund Balance at End of Year	<u>\$ 485,413</u>	<u>\$ 22,357</u>	<u>\$ 2,214,230</u>	<u>\$ 2,191,873</u>

See Accompanying Notes and Accountant's Report to the Basic Financial Statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>536</u>	\$ <u>54,250</u>
Total Assets	<u>536</u>	<u>54,250</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		54,250
Total Liabilities	\$ _____	\$ <u><u>54,250</u></u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>536</u>	
Total Net Assets	\$ <u><u>536</u></u>	\$ _____

See Accompanying Notes and Accountant's Report to the Basic Financial Statements

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY

Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2007

		<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>		
Donations and gifts	\$	4,850
<b>DEDUCTIONS:</b>		
Payments in Accordance with Trust Agreements		<u>5,000</u>
Change in Net Assets		(150)
Net Assets Beginning of Year		<u>686</u>
Net Assets End of Year	\$	<u><u>536</u></u>

See Accompanying Notes and Accountant's Report to the Basic Financial Statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Hicksville Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Hicksville Exempted Village School District is an exempted village school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's two instructional/support facilities staffed by 34 non-certified and 77 certified full-time teaching personnel who provide services to 1,004 students and other community members.

**The Reporting Entity**

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

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

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, the Northwestern Ohio Education Research Council Inc., the Northwest Ohio Special Education Regional Resource Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Ohio School Board Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable cash is assigned to the various governmental funds according to the purposes for which it may or must be used. Expenditures are assigned to the fund from which they are paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's major funds are the General Fund, the Bond Retirement Fund, the Building/Land LFI Fund and the OSFC Fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

Building/Land LFI Fund – The Building/Land LFI Fund is used to account for the revenues and expenditures related to the purchase of land and the local share of expenditures for the new school building.

OSFC Fund - The OSFC Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

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

**Fiduciary Funds**

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

**C. Basis of Accounting**

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

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

If the District utilized generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All governmental-wide financials would be presented on the accrual basis of accounting.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented in the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During fiscal year 2007, investments were limited to STAR Ohio, certificates of deposit, federal agency securities, and open end mutual funds. All investments were reported at cost, except for STAR Ohio.

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. 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, 2007.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$293,297, which includes \$61,347 assigned from other District funds.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**I. Compensated Absences**

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**J. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-term Obligations**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**L. Interfund Activity**

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources (uses). The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

There are no amounts restricted by enabling legislation.

**N. Fund Balance Reserves**

The District reserves any portion of fund balances which are not available for appropriation or which is legally segregated for a specified future use. Unreserved fund balance indicates that a portion of the fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

**A. Change in Basis of Accounting**

For 2007, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2.C.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY – (Continued)**

**B. Restatement of Fund Equity**

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Bond Retirement	Building/Land LFI	OSFC	Other Governmental Funds
Fund Balance June 30, 2005	\$1,179,843	\$10,306,311	\$6,036	\$397,392	\$358,910
Eliminate Asset Accruals	(3,652,485)	(617,552)	(28,253)	(17,880,148)	(117,176)
Eliminate Liability Accrual	3,582,933	466,190	3,064,660	24,717,767	146,149
Adjusted Fund Balance June 30, 2006	<u>\$1,110,291</u>	<u>\$10,154,949</u>	<u>\$3,042,443</u>	<u>\$7,235,011</u>	<u>\$387,883</u>

Governmental Activities Net Assets June 30, 2006	\$20,805,403
Eliminate Government-Wide Financial Statement Adjustments:	
Fair Market Markup on Investments	(183,167)
Materials and Supplies Inventory	(5,557)
Accrued Interest Receivable	(5,036)
Accounts Receivable	(1,713)
Intergovernmental Receivable	(17,816,752)
Taxes Receivable	(3,522,647)
Income Taxes Receivable	(702,314)
Prepaid Items	(53,425)
Capital Assets	(1,652,783)
Accounts Payable	27,635
Accrued Wages and Benefits	595,012
Contracts Payable	127,754
Intergovernmental Payable	169,961
Deferred Revenue	3,222,647
Notes Payable	9,930,000
Long Term Liabilities	10,995,559
Adjusted Governmental Activities Net Assets June 30, 2006	<u>\$21,930,577</u>

**4. COMPLIANCE**

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

Contrary to Ohio law, expenditures within the Bond Retirement Fund exceeded appropriations by \$9,643,405.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$72,862
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**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**6. DEPOSITS AND INVESTMENTS – (Continued)**

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

Cash on Hand

At year-end, the District had \$185 in undeposited cash on hand, which is included on the balance sheet of the District as part of “Equity in Pooled Cash and Cash Equivalents.”

Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities</u>					
	<u>Balance At Cost</u>	<u>6 months or less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>25 to 30 Months</u>
Federal Home Loan Mortgage Corporation (FHLMC) Discount Notes	\$1,331,639	\$1,331,639				
Federal Home Loan Bank (FHLB) Discount Notes	498,076	498,076				
Federal Home Loan Bank (FHLB) Bonds	6,222,733	1,000,000	\$998,145	\$3,223,328	\$1,001,260	
Federal National Mortgage Association (FNMA) Discount Notes	476,111		476,111			
Federal National Mortgage Association (FNMA) Bonds	1,848,181		848,181	500,000		\$500,000
U.S. Treasury Money Market Fund (Mutual Fund)	81,349	81,349				
STAR Ohio	6,965,208	6,965,208				
<b>Total Investments</b>	<b>\$17,423,297</b>	<b>\$9,876,272</b>	<b>\$2,322,437</b>	<b>\$3,723,328</b>	<b>\$1,001,260</b>	<b>\$500,000</b>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**6. DEPOSITS AND INVESTMENTS – (Continued)**

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

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

<u>Investment Type</u>	<u>Moody’s</u>	<u>Standard &amp; Poor’s</u>
FHLMC Discount Notes	P-1	A-1+
FHLB Discount Notes	P-1	A-1+
FHLB Bonds	Aaa	AAA
FNMA Discount Notes	P-1	A-1+
FNMA Bonds	Aaa	AAA
Mutual Fund	Aaa	AAAm
STAR Ohio		AAAm

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FHLMC Discount Notes, FHLB Discount Notes, FHLB Bonds, FNMA Discount Notes, and FNMA Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptances to 25 percent of the interim monies available for investment at any one time. The District’s investments in FHLMC Discount Notes, FHLB Discount Notes, FHLB Bonds, FNMA Discount Notes, and FNMA Bonds represent 7 percent, 3 percent, 36 percent, 3 percent, and 10 percent, respectively, of the District’s total investments.

**7. PROPERTY TAXES**

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



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**7. PROPERTY TAXES – (Continued)**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<b>2006 Second- Half Collections</b>		<b>2007 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Commercial/Industrial	\$9,493,410	11%	\$9,648,730	11%
Residential/Agricultural	63,646,040	76%	64,594,380	79%
Public Utility	3,688,460	4%	3,680,130	4%
Tangible Personal	7,182,548	9%	5,077,099	6%
Total Assessed Value	<u>\$84,010,458</u>	<u>100%</u>	<u>\$83,000,339</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.20		\$40.95	

**8. INCOME TAX**

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**9. RISK MANAGEMENT**

**A. Comprehensive**

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

For fiscal year 2007, the District participated in the Ohio School Plan (the Plan), an insurance purchasing pool (Note 17). The District maintains fleet insurance with the Plan. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities (Note 17). 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. The 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 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**10. DEFINED PENSION BENEFIT 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$97,136, \$94,508, and \$91,929 respectively; 63 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS – (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$560,673, \$544,850, and \$544,624 respectively; 86 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$43,129.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS has 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. This portion is based on years of service, Medicare eligibility, and retirement status.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS – (Continued)**

After the allocation of basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$35,683.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available) were \$158,751,207. At June 30, 2006, SERS has net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**12. COMPENSATED ABSENCES**

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 27 percent of the accumulated sick leave to a maximum of 60 days.

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

**13. NOTE DEBT**

As of July 1, 2006, the District had outstanding bond anticipation notes in the amount of \$9,930,000. The notes had an annual interest rate of 4.5%. These notes were retired on July 18, 2006 with proceeds from the sale of general obligation bonds.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**14. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2007, the following changes occurred in long-term obligations:

	<b>Balance at 6/30/06</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/07</b>	<b>Due Within One Year</b>
Mortgage Note Payable	\$114,182		\$33,026	\$81,156	\$34,031
General Obligation Bonds					
Serial – Series 2006	5,240,000			5,240,000	180,000
Term – Series 2006	4,690,000			4,690,000	
Total General Obligation Bonds	9,930,000			9,930,000	180,000
Total Long-Term Obligations	<u>\$10,044,182</u>		<u>\$33,026</u>	<u>\$10,011,156</u>	<u>\$214,031</u>

Debt outstanding at June 30, 2007 consisted of the following:

**Mortgage Notes Payable - 2005**

The mortgage note payable was issued in March 2005 for \$154,086. The interest rate was 3 percent. The proceeds were used to purchase land for the site of the new school building. The notes are being retired from the General and Building/Land LFI funds. The notes mature in March 2010.

**School Improvement Bonds – 2006**

The District issued \$9,930,000 in voted general obligation bonds for the purpose of constructing, renovating, and improving existing school facilities and related site development. The bonds were issued on April 4, 2006 and will mature in December 2033. The bond issued included \$5,240,000 in serial bonds and \$4,690,000 in term bonds. The bonds will be retired with a voted property tax levy from the Debt Service fund.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

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

<b>Maturity Date (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2007	180,000	3.75%
2008	180,000	3.75%
2009	225,000	3.75%
2010	230,000	3.65%
2011	240,000	3.75%
2012	250,000	3.75%
2013	260,000	3.85%
2014	270,000	3.95%
2015	280,000	4.00%
2016	290,000	4.00%
2017	300,000	4.10%
2018	315,000	4.15%
2019	325,000	5.00%
2020	345,000	5.00%
2021	360,000	5.00%
2022	380,000	5.00%
2023	395,000	5.00%
2024	415,000	5.00%

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

<b>Redemption Date (December 1)</b>	<b>Principal Amount To Be Redeemed</b>
2025	\$435,000
2026	455,000
2027	475,000
2028	495,000
2029	520,000
2030	540,000
2031	565,000
2032	590,000
2033	615,000

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$214,031	\$433,718	\$647,749
2009	215,066	425,933	640,999
2010	237,059	417,481	654,540
2011	230,000	408,989	638,989
2012	240,000	400,291	640,291
2013 – 2017	1,350,000	1,852,471	3,202,471
2018 – 2022	1,645,000	1,538,103	3,183,103
2023 – 2027	2,080,000	1,085,344	3,165,344
2028 – 2032	2,595,000	562,806	3,157,806
2033 – 2034	1,205,000	53,266	1,258,266
Total	<u>\$10,011,156</u>	<u>\$7,178,402</u>	<u>\$17,189,558</u>

**15. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2006	(\$76,609)	
Current Year Set-aside Requirement	149,680	\$149,680
Current Year Offsets	(32,000)	(837,263)
Qualifying Disbursements	(128,423)	
Total	<u>(87,352)</u>	<u>(\$687,583)</u>
Balance Carried Forward to FY 2008	<u>(\$87,352)</u>	



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**16. 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. NWOCA is governed by the Northern Buckeye Education Council and its participating members. The District paid \$34,990 for services rendered through NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District made no payments to NBEC. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. The District paid \$500 to the Four County Career Center during 2007. To obtain financial information, write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. The District paid \$175 to NOERC during 2007. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**E. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. The District paid \$35 to SERRC during 2007. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**17. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

The NBEC Employee Insurance Benefits Program includes health, dental, vision, and life insurance plans. The health, dental, and vision 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.

**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 (OSBA) Workers' Compensation Group Rating Plan (WCGRP) was established through OSBA as a group insurance purchasing pool.

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

**C. Ohio School Plan**

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**17. GROUP PURCHASING POOLS – (Continued)**

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

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$1,730,236	\$952,191
Liabilities	941,026	213,419
Members' Equity	789,210	738,772

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**18. INTERFUND BALANCES**

**A. Interfund Transfers**

During 2007, the Athletics Fund transferred \$12,400 to the Permanent Improvement Fund for future athletic related capital purchases.

**B. Interfund Advances**

A short-term loan was made in 2006 from the General Fund to the Cafeteria Fund in the amount of \$5,003 to subsidize food services operations. This loan remained unpaid as of June 30, 2007.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**19. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

**B. Litigation**

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



# Mary Taylor, CPA

Auditor of State

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

Hicksville Exempted Village School District  
Defiance County  
105 East Smith Street  
Hicksville, Ohio 43526-1110

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hicksville Exempted Village School District, Defiance County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2008, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 15, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 15, 2008.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 15, 2008

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2007

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

FINDING NUMBER 2007-001

**Noncompliance Citation**

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code §117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles

**Officials Response:**

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

FINDING NUMBER 2007-002

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2007, the Bond Retirement Fund had \$9,643,405 of budgetary expenditures in excess of appropriations. The failure to limit expenditures to appropriated amounts may result in the District expending funds in excess of available resources. The District should periodically compare expenditures and encumbrances to appropriations to determine if a modification to appropriations is necessary.

**Officials Response:**

Management did not respond to this finding.

**FINDING NUMBER 2007-003**

**Material Weakness**

**Financial Reporting**

As a result of the audit procedures performed, the following errors were noted in the financial statements that required material audit adjustments.

1. The District failed to reverse prior year adjustments to investments for the fair market value. This resulted in the over reporting of the Fund Balance at the Beginning of the Year in the Bond Retirement Fund by \$91,362, the Building/Land LFI Fund by \$28,253, and the OSFC Fund by \$63,552.
2. The District failed to report interest earnings on the District's 2006 bond proceeds and the subsequent payment of the proceeds towards the outstanding bond anticipation notes. This resulted in the underreporting of interest revenue by \$1,750 and Debt Service Principal payment by \$9,818,530.
3. Interest earnings in the amount of \$482,483, received as a result of the investment of Ohio School Facilities Commission project monies, were classified as general revenues on the government wide Statement of Activities. These monies should have been classified as capital grants and contributions, a program revenue, and mapped to the capital outlay activity.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Education, to identify and correct errors and omissions. The Treasurer should also review the Uniform School Accounting System manual's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

**Officials Response:**

Management did not respond to this finding.



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Revised Code § 135.18 – Uncollateralized deposits.	Yes	N/A
2006-002	Ohio Revised Code § 5705.10 (E) – failure to record bond proceeds.	N/A	Finding no longer valid.
2006-003	Reportable Condition: Failure to record a receivable for Ohio School Facilities Commission grant monies.	N/A	Finding no longer valid.
2006-004	Reportable Condition: Significant variances between reported and approved budgetary amounts.	No	Partially corrected. Repeated in Management Letter.





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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**  
**MARCH 11, 2008**