



**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



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 Hicksville Exempted Village School District, Defiance County, (the District), as of and for the year ended June 30 2006, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hicksville Exempted Village School District as of June 30 2006, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2007, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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

March 28, 2007

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
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, 2006. 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 2006 are as follows:

- In total, net assets increased \$19,659,031.
- General revenues accounted for \$26,816,654, or 96 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$1,214,874 or 4 percent of total revenues of \$28,031,528.
- 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 only major funds. The General Fund had \$7,539,166 in revenues and \$6,756,166 in expenditures. The General Fund's balance increased \$783,000 from the prior fiscal year.
- The Bond Retirement Fund had \$10,454,617 in revenues and other financing sources and \$148,306 in expenditures. The Bond Retirement Fund's balance increased \$10,306,311 from the prior fiscal year.
- The Building/Land LFI Fund had \$62,497 in revenues and other financing sources and \$56,461 in expenditures. The Building/Land LFI Fund's balance increased \$6,036 from the prior fiscal year.
- The OSCF Fund had \$919,291 in revenues and other financing sources and \$521,899 in expenditures. The OSCF Fund's balance increased \$397,392 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.

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Fund, the Building/Land LFI Fund, and the OSCF Fund are the District's only major funds.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of 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 only major funds.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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 accrual basis of accounting.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

Table 1		
Net Assets		
Governmental Activities		
	2006	2005
<u>Assets:</u>		
Current and Other Assets	\$44,221,188	\$4,426,312
Capital Assets, Net	1,652,783	1,276,932
Total Assets	45,873,971	5,703,244
<u>Liabilities:</u>		
Current and Other Liabilities	14,073,009	3,544,225
Long-Term Liabilities	10,995,559	1,012,647
Total Liabilities	25,068,568	4,556,872
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	1,538,601	1,130,699
Restricted	18,875,967	393,806
Unrestricted	390,835	(378,133)
Total	\$20,805,403	\$1,146,372

Current assets increased \$39,794,876 which was primarily due to the District receiving note (\$9,930,000) and bond (\$9,930,000) proceeds for the construction of the new school building. In addition, the District recognized a receivable for \$17,816,596 for monies from the Ohio School Classroom Facilities Commission for the construction of the new school building. Current liabilities increased \$10,528,784 which was primarily due to recognizing the notes payable (\$9,930,000). Long term liabilities increased \$9,982,912 which was primarily due to posting bonds payable (\$9,930,000).

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

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

	<u>2006</u>	<u>2005</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$665,140	\$585,552
Operating Grants and Contributions	533,649	481,424
Capital Grants and Contributions	16,085	
Total Program Revenues	<u>1,214,874</u>	<u>1,066,976</u>
General Revenues:		
Property Taxes	2,190,051	1,872,078
Income Taxes	1,392,693	808,022
Grants and Entitlements	22,731,797	3,898,440
Gifts and Donations	94,340	29,272
Investment Earnings	330,543	127,012
Miscellaneous	17,353	12,651
Premium on Sale of Notes and Bonds	59,877	
Total General Revenues	<u>26,816,654</u>	<u>6,747,475</u>
Total Revenues	<u>28,031,528</u>	<u>7,814,451</u>
<u>Expenses:</u>		
Instruction	4,803,587	4,665,206
Support Services:		
Pupils	253,191	339,832
Instructional Staff	402,694	416,612
Board of Education	35,610	16,233
Administration	717,139	699,358
Fiscal	406,469	204,299
Operation and Maintenance of Plant	553,648	525,207
Pupil Transportation	279,822	262,390
Central	38,708	22,772
Non-Instructional	367,832	342,545
Extracurricular Activities	354,775	373,137
Capital Outlay	123,005	
Debt Service:		
Principal	32,010	
Interest and Fiscal Charges	4,007	1,147
Total Expenses	<u>8,372,497</u>	<u>7,868,738</u>
Increase/Decrease in Net Assets	<u>\$19,659,031</u>	<u>(\$54,287)</u>

Program revenues increased \$147,898 due to increases in Charges for Services (tuition and food service fees) and operating grants received for Regular Instruction, Special Instruction, and Non-Instructional Services (federal and state reimbursement for food service). General revenues increased \$20,069,179 which was primarily due to recognizing revenue from the Ohio School Classroom Facilities Commission for the construction of the new school building.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

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, operating grants and contributions, and capital 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**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
Instruction	\$4,803,587	\$4,179,614	\$4,665,206	\$3,961,614
Support Services:				
Pupils	253,191	201,069	339,832	336,341
Instructional Staff	402,694	322,605	416,612	393,328
Board of Education	35,610	35,610	16,233	16,233
Administration	717,139	700,783	699,358	692,358
Fiscal	406,469	406,469	204,299	204,299
Operation and Maintenance of Plant	553,648	550,612	525,207	525,207
Pupil Transportation	279,822	276,025	262,390	262,390
Central	38,708	37,120	22,772	22,772
Non-Instructional	367,832	37,673	342,545	142,465
Extracurricular Activities	354,775	251,021	373,137	243,608
Capital Outlay	123,005	123,005		
Debt Service:				
Principal	32,010	32,010		
Interest and Fiscal Charges	4,007	4,007	1,147	1,147
Total Expenses	\$8,372,497	\$7,157,623	\$7,868,738	\$6,801,762

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 85 percent. The remaining 15 percent is derived from charges for services and sales, operating grants and contributions, and capital grants and contributions.

The District's Funds

The District's governmental funds are accounted for using the modified accrual 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 \$20,153,700 and expenditures of \$8,695,436.

The General Fund's fund balance increased \$783,000 which was primarily attributed to a 77percent increase in income taxes (\$600,987).

The Bond Retirement Fund's fund balance increased \$10,306,311 was due to the receipt of bond proceeds for the construction of the new school building.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

The Building/Land LFI Fund's fund balance increased \$6,036 due to investment earnings on the new school building notes exceeding actual expenditures for architect fees on the construction of the new school building.

The OSCF Fund's fund balance increased \$397,392 due to intergovernmental revenues received from the Ohio School Classroom Facilities Commission and investment earnings on the new school building notes exceeding actual expenditures for architect fees on 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 2006, the District amended its General Fund budget as needed.

Final budgeted revenues and other financing sources increased less than 1 percent from the original budget. Actual revenues and other financing sources were 4 percent greater than the final budgeted revenues.

Final appropriations (expenditures and other financing uses) decreased less than 1 percent from the original budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 was \$6,815,570, which was \$778,722 (10 percent) less than the final budgeted appropriations. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$1,652,783 invested in capital assets (net of accumulated depreciation) for governmental activities, which was 29 percent higher than at the beginning of the year, mainly due to architect fees on the construction of the new school building.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

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 will mature in March 2010.

In January 2006, the District issued \$9,930,000 in bond anticipation notes (BAN) which will mature in July 2006.

In April 2006, the District issued \$9,930,000 in general obligation bonds. The bonds, which will be used to retire the BAN's 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.

At June 30, 2006, the District's overall legal debt margin was (\$3,112,946), with an un-voted debt margin of \$75,745.

For further information regarding the District's debt, see the notes to the basic financial statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

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 first year of the state biennium budget. 40.0 percent of District revenue sources is from local funds, 54.7 percent is from state funds and the remaining 5.3 percent is from federal funds. The total expenditure per pupil was calculated at \$7,623.

In November 2005 the district approved a 7.75 bond levy. The issue passage gives the district the go-ahead to begin construction on the new Pre K – 12 school building. The bond represents the District's willingness to raise \$9.9 million dollars in local funds, which will be coupled with the Ohio School Facilities Commission's \$18.7 million to construct the new \$28.5 million dollar school.

Voters also approved the 2.5 mill Permanent Improvement Levy, which will take the place of the current levy when it discontinues in 2006. The new continuing levy includes .5 mill for maintenance of the new facility, a state requirement for all new OSFC project schools.

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 Smith Street, Hicksville, Ohio 43526-1110.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Statement of Net Assets
June 30, 2006**

		Governmental Activities
Assets		
Equity in Pooled Cash and Cash Equivalents	\$	12,537,056
Investments		9,576,688
Accrued Interest Receivable		5,036
Taxes Receivable		3,522,647
Income Taxes Receivable		702,314
Accounts Receivable		1,713
Intergovernmental Receivable		17,816,752
Materials and Supplies Inventory		5,557
Prepaid Items		53,425
Capital Assets:		
Non-Depreciable Capital Assets		590,294
Depreciable Capital Assets, net		1,062,489
<i>Total Assets</i>		<u>45,873,971</u>
Liabilities		
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:		
Due in More Than One Year		33,026
Due in More Than One Year		10,962,533
<i>Total Liabilities</i>		<u>25,068,568</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt		1,538,601
Restricted for Debt Service		10,306,311
Restricted for Capital Outlay		8,479,062
Restricted for Other Purposes		90,594
Unrestricted		390,835
<i>Total Net Assets</i>	\$	<u><u>20,805,403</u></u>

See Accompanying Notes to the Basic Financial Statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2006**

	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	\$ 3,667,940	\$ 357,283	\$ 56,011	\$ 12,288	(3,242,358)
Special	966,571		176,292		(790,279)
Vocational	169,076		22,099		(146,977)
Support Services:					
Pupils	253,191		52,122		(201,069)
Instructional Staff	402,694		80,089		(322,605)
Board of Education	35,610				(35,610)
Administration	717,139	9,205	7,151		(700,783)
Fiscal	406,469				(406,469)
Operation and Maintenance of Plant	553,648	3,036			(550,612)
Pupil Transportation	279,822			3,797	(276,025)
Central	38,708	1,588			(37,120)
Operation of Non-Instructional Services	367,832	190,274	139,885		(37,673)
Extracurricular Activities	354,775	103,754			(251,021)
Capital Outlay	123,005				(123,005)
Debt Service:					
Principal	32,010				(32,010)
Interest and Fiscal Charges	4,007				(4,007)
Totals	\$ 8,372,497	\$ 665,140	\$ 533,649	\$ 16,085	(7,157,623)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	1,670,670
Property Taxes, Levies for Capital Outlay	130,131
Property Taxes, Levied for Debt Service	373,780
Property Taxes, Levied for Other Purposes	15,470
Income Taxes	1,392,693
Grants and Entitlements not Restricted to Specific Programs	22,731,797
Gifts and Donations	94,340
Investment Earnings	330,543
Miscellaneous	17,353
Premium on Sale of Notes and Bonds	59,877
Total General Revenues	26,816,654
Change in Net Assets	19,659,031
Net Assets Beginning of Year	1,146,372
Net Assets End of Year	\$ 20,805,403

See Accompanying Notes to the Basic Financial Statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2006**

	General Fund	Bond Retirement Fund	Building/Land LFI Fund
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,110,291	\$ 10,246,311	\$ 123,498
Investments			2,947,198
Accrued Interest Receivable	5,036		
Taxes Receivable	2,888,986	526,190	
Income Taxes Receivable	702,314		
Accounts Receivable			
Intergovernmental Receivable			
Interfund Receivable	5,003		
Materials and Supplies Inventory			
Prepaid Items	51,146		
<i>Total Assets</i>	\$ 4,762,776	\$ 10,772,501	\$ 3,070,696
Liabilities			
Current Liabilities:			
Accounts Payable	19,926		
Accrued Wages and Benefits	577,151		
Contracts Payable			11,329
Intergovernmental Payable	160,501		
Due To Other Funds			
Deferred Revenue	2,825,355	466,190	
Notes Payable			3,053,331
<i>Total Liabilities</i>	3,582,933	466,190	3,064,660
Fund Balances			
Reserved:			
Reserved for Encumbrances	39,259		
Reserved for Prepaid Items	51,146		
Reserved for Property Taxes	156,000	60,000	
Unreserved, Undesignated, Reported in:			
General Fund	933,438		
Special Revenue Funds			
Debt Service Funds		10,246,311	
Capital Projects Funds			6,036
<i>Total Fund Balances</i>	1,179,843	10,306,311	6,036
<i>Total Liabilities and Fund Balances</i>	\$ 4,762,776	\$ 10,772,501	\$ 3,070,696

See Accompanying Notes to the Basic Financial Statements

<u>OSCF Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 669,073	\$ 387,883	\$ 12,537,056
6,629,490		9,576,688
		5,036
	107,471	3,522,647
		702,314
	1,713	1,713
17,816,596	156	17,816,752
		5,003
	5,557	5,557
	2,279	53,425
<u>\$ 25,115,159</u>	<u>\$ 505,059</u>	<u>\$ 44,226,191</u>
	7,709	27,635
	17,861	595,012
103,936	12,489	127,754
	9,460	169,961
	5,003	5,003
17,737,162	93,627	21,122,334
6,876,669		9,930,000
<u>24,717,767</u>	<u>146,149</u>	<u>31,977,699</u>
		933,438
	72,978	72,978
		10,246,311
387,207	240,173	633,416
<u>397,392</u>	<u>358,910</u>	<u>12,248,492</u>
<u>\$ 25,115,159</u>	<u>\$ 505,059</u>	<u>\$ 44,226,191</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006**

Total Governmental Fund Balances	\$	12,248,492
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		1,652,783
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the funds:		
Property Taxes Receivable	\$ 70,000	
Income Taxes Receivable	92,369	
Intergovernmental Receivable	17,737,318	17,899,687
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds and Mortgage Note Payable	(10,044,182)	
Compensated Absences Payable	(951,377)	(10,995,559)
<i>Net Assets of Governmental Activities</i>	\$	<u>20,805,403</u>

See Accompanying Notes to the Basic Financial Statements

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**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006**

	General Fund	Bond Retirement Fund	Building/Land LFI Fund
Revenues			
Property and Other Local Taxes	\$ 1,616,070	\$ 373,780	
Income Tax	1,376,362		
Intergovernmental	4,199,589	31,349	
Investment Earnings	65,022	91,387	\$ 52,726
Tuition and Fees	269,846		
Rent	1,414		
Extracurricular Activities			
Gifts and Donations	2,242		
Customer Sales and Services			
Miscellaneous	8,621		
<i>Total Revenues</i>	7,539,166	496,516	52,726
Expenditures			
Current:			
Instruction:			
Regular	3,287,167		
Special	779,701		
Vocational	163,565		
Support Services:			
Pupils	197,944		
Instructional Staff	335,069		
Board of Education	35,610		
Administration	688,389		
Fiscal	204,903	148,306	12,148
Operation and Maintenance of Plant	519,632		
Pupil Transportation	257,128		
Central	36,159		
Operation of Non-Instructional Services	8,745		
Extracurricular Activities	209,519		
Capital Outlay	2,635		38,296
Debt Service:			
Principal	26,608		5,402
Interest	3,392		615
<i>Total Expenditures</i>	6,756,166	148,306	56,461
<i>Excess of Revenues Over (Under) Expenditures</i>	783,000	348,210	(3,735)
Other Financing Sources and Uses			
Proceeds From Sale of Bonds		9,930,000	
Premium on Sale of Notes / Bonds		28,101	9,771
<i>Total Other Financing Sources and Uses</i>		9,958,101	9,771
<i>Net Change in Fund Balances</i>	783,000	10,306,311	6,036
Fund Balance at Beginning of Year	396,843		
<i>Fund Balance at End of Year</i>	\$ 1,179,843	\$ 10,306,311	\$ 6,036

See Accompanying Notes to the Basic Financial Statements

<u>OSCF Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$ 145,601	\$ 2,135,451
		1,376,362
\$ 775,878	537,818	5,544,634
121,408		330,543
	74,484	344,330
		1,414
	129,122	129,122
	92,098	94,340
	190,274	190,274
	8,732	17,353
<u>897,286</u>	<u>1,178,129</u>	<u>10,163,823</u>
	364,342	3,651,509
	170,170	949,871
		163,565
	53,673	251,617
	84,279	419,348
		35,610
	25,159	713,548
27,358	3,715	396,430
	9,927	529,559
	28,497	285,625
	2,549	38,708
	345,382	354,127
	124,911	334,430
494,541		535,472
		32,010
		4,007
<u>521,899</u>	<u>1,212,604</u>	<u>8,695,436</u>
<u>375,387</u>	<u>(34,475)</u>	<u>1,468,387</u>
		9,930,000
22,005		59,877
<u>22,005</u>		<u>9,989,877</u>
397,392	(34,475)	11,458,264
	393,385	790,228
\$ <u>397,392</u>	\$ <u>358,910</u>	\$ <u>12,248,492</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ 11,458,264

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures; however, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 591,942	
Depreciation	<u>(216,091)</u>	
		375,851

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	17,736,897	
Income Taxes	16,331	
Delinquent Property Taxes	<u>54,600</u>	
		17,807,828

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities. 32,051

Other financing sources in governmental funds increase long-term liabilities in the statement of net assets. (9,930,000)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds:

Compensated Absences Payable		<u>(84,963)</u>
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Change in Net Assets of Governmental Activities \$ 19,659,031

See Accompanying Notes to the Basic Financial Statements

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property and Other Local Taxes	\$ 1,602,586	\$ 1,587,586	\$ 1,646,070	\$ 58,484
Income Tax	1,155,700	1,155,700	1,097,577	(58,123)
Intergovernmental	4,001,858	4,004,108	4,200,779	196,671
Interest	30,000	30,000	61,946	31,946
Tuition and Fees	234,196	234,196	269,846	35,650
Rent	2,450	2,450	1,414	(1,036)
Gifts and Donations	2,875	2,875	2,242	(633)
Miscellaneous	500	500	8,143	7,643
<i>Total Revenues</i>	<u>7,030,165</u>	<u>7,017,415</u>	<u>7,288,017</u>	<u>270,602</u>
Expenditures				
Current:				
Instruction:				
Regular	3,239,156	3,413,639	3,279,971	133,668
Special	710,600	793,146	763,894	29,252
Vocational	159,699	161,176	158,615	2,561
Other Instruction	144,500			
Support Services:				
Pupils	286,326	276,032	213,048	62,984
Instructional Staff	350,701	381,632	350,394	31,238
Board of Education	19,809	29,570	29,359	211
Administration	677,644	709,510	682,953	26,557
Fiscal	196,885	207,714	206,155	1,559
Operation and Maintenance of Plant	545,942	578,884	552,279	26,605
Pupil Transportation	256,335	283,374	266,797	16,577
Central	43,000	43,120	41,538	1,582
Operation of Non-Instructional Services				
Extracurricular Activities	212,628	223,198	206,201	16,997
Capital Outlay	38,513	51,313	17,245	34,068
Debt Service:				
Principal	32,025	32,025	26,608	5,417
Interest	6,000	6,000	3,392	2,608
<i>Total Expenditures</i>	<u>6,919,763</u>	<u>7,202,483</u>	<u>6,810,567</u>	<u>391,916</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>110,402</u>	<u>(185,068)</u>	<u>477,450</u>	<u>662,518</u>
Other Financing Sources and Uses				
Refund of Prior Year Expenditures		500	483	(17)
Advances In		20,945	20,946	1
Advances Out		(5,003)	(5,003)	
Other Financing Uses	(702,770)	(386,806)		386,806
<i>Total Other Financing Sources and Uses</i>	<u>(702,770)</u>	<u>(370,364)</u>	<u>16,426</u>	<u>386,790</u>
<i>Net Change in Fund Balances</i>	<u>(592,368)</u>	<u>(555,432)</u>	<u>493,876</u>	<u>1,049,308</u>
Fund Balance at Beginning of Year	505,111	505,111	505,111	
Prior Year Encumbrances Appropriated	57,976	57,976	57,976	
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (29,281)</u>	<u>\$ 7,655</u>	<u>\$ 1,056,963</u>	<u>\$ 1,049,308</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>686</u>	\$ <u>48,285</u>
Total Assets	<u>686</u>	<u>48,285</u>
Liabilities		
Current Liabilities:		
Undistributed Monies		48,285
Total Liabilities	\$ _____	\$ <u><u>48,285</u></u>
Net Assets		
Held in Trust for Scholarships	<u>686</u>	
Total Net Assets	\$ <u><u>686</u></u>	\$ _____

See Accompanying Notes to the Basic Financial Statements

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2006

	<u>Private Purpose Trust</u>
Additions	
Donations and gifts	\$ <u>6,250</u>
<i>Total Additions</i>	<u>6,250</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>6,150</u>
<i>Total Deductions</i>	<u>6,150</u>
Change in Net Assets	100
Net Assets Beginning of Year	<u>586</u>
<i>Net Assets End of Year</i>	<u>\$ <u>686</u></u>

See Accompanying Notes 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, 2006**

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 33 non-certified and 78 certified full-time teaching personnel who provide services to 992 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 eight 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 Northwest 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 17 and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Fund Financial Statements

During the 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 are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the Bond Retirement Fund, the Building/Land Local Funding Initiative (LFI) Fund, and the Ohio School Classroom Facilities (OSFC) Fund are the only major governmental funds:

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 building.

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 funds of the District consist of 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 funds account for programs that provide college scholarships to 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. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is accounted for using a flow of economic resources measurement focus.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. 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 primary level of budgetary control is at the fund level. Budgetary allocations within the funds are made by the Treasurer.

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

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

F. 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.

During fiscal year 2006, investments were limited to certificates of deposit, Star Ohio, and federal agency securities. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are valued at cost.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. 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, 2006.

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 2006 amounted to \$65,022, which includes \$18,758 assigned from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased. Inventories in governmental funds consist of expendable supplies held for consumption, donated foods, and purchased foods.

H. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of capital assets is also not capitalized.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignation and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those 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. There were no net assets restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepaid items, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

M. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

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

N. Estimates

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

O. Prepaid Items

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Pass-Through Grants

The Special Education Preschool special revenue fund is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting or Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

3. ACCOUNTABILITY AND COMPLIANCE

Fund balances at June 30, 2006, included the following individual fund deficits:

	<u>Deficit</u>
<u>Other Governmental Funds</u>	
Food Service Fund	25,400
Special Education Grants to States Fund	239
Title I Grants to Local Educational Agencies Fund	283

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

Contrary to Ohio law, the following occurred:

- A depository of the District did not have adequate collateral pledged, as security, for \$612,031, at June 30, 2006.
- Bond proceeds of \$9,930,000 were not recorded on the District's financial statements.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$783,000
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	519,120
Accrued FY 2006, Not Yet Received in Cash	(770,269)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(706,310)
Accrued FY 2006, Not Yet Paid in Cash	706,915
Advances Net	15,943
Encumbrances Outstanding at Year End (Budget Basis)	(54,523)
Budget Basis	\$493,876

5. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

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

Interim monies are those monies that 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 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only 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.

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$612,031 of the District's bank balance of \$1,125,219 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2006, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Investment Maturities</u>			
	<u>Balance at Fair Value</u>	<u>6 months or less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>
Federal Home Loan Mortgage Association (FHLMC) Discount Notes	\$11,635,100	\$6,955,700	\$4,679,400	
Federal Home Loan Bank (FHLB) Discount Notes	5,423,332	5,423,332		
Federal Home Loan Bank (FHLB) Bonds	996,720			\$996,720
Federal National Mortgage Association (FNMA) Discount Notes	1,926,800	975,200	951,600	
STAR Ohio	1,124,423	1,124,423		
Total Investments	\$21,106,375	\$14,478,655	\$5,631,000	\$996,720

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% and be marked to market daily.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

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

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Federal Home Loan Mortgage Association (FHLMC) Discount Notes	P-1	A-1+
Federal Home Loan Bank (FHLB) Discount Notes	P-1	A-1+
Federal Home Loan Bank (FHLB) Bonds	Aaa	AAA
Federal National Mortgage Association (FNMA) Discount Notes	P-1	A-1+
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 Federal Home Loan Mortgage Association Discount Notes, Federal Home Loan Bank Discount Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Discount Notes 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% of the interim monies available for investment at any one time. The District’s investments in Federal Home Loan Mortgage Association Discount Notes, Federal Home Loan Bank Discount Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Discount Notes, and Star Ohio represent 55%, 26%, 5%, 9%, and 5%, respectively, of the District’s total investments

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. PROPERTY TAXES – (Continued)

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, 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 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2004. 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$156,000 in the General Fund, \$0 in the Classroom Maintenance Fund, \$60,000 in the Bond Retirement Fund, and \$14,000 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2005, was \$186,000 in the General Fund and \$17,000 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Commercial/Industrial	\$8,355,620	10%	\$9,493,410	11%
Residential/Agricultural	57,236,760	70%	63,646,040	76%
Public Utility	4,277,620	5%	3,688,460	4%
Tangible Personal	12,054,966	15%	7,182,548	9%
Total Assessed Value	<u>\$81,924,966</u>	<u>100%</u>	<u>\$84,010,458</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$36.20		\$39.20	

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. 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.

8. RECEIVABLES

Receivables at June 30, 2006, consisted of property tax, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Safe and Drug Free School Fund	\$22
Education Technology State Grant Fund	134
OSFC Fund	<u>17,816,596</u>
Total Intergovernmental Receivables	<u>\$17,816,752</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$183,119			\$183,119
Construction In Progress		\$407,175		407,175
Total Nondepreciable Capital Assets	<u>183,119</u>	<u>407,175</u>		<u>590,294</u>
Depreciable Capital Assets				
Land Improvements	56,628			56,628
Buildings and Building Improvements	3,059,208			3,059,208
Furniture, Fixtures, and Equipment	1,122,624	\$113,403	(\$29,212)	1,206,815
Vehicles	532,867	71,364	(34,183)	570,048
Total Depreciable Capital Assets	<u>4,771,327</u>	<u>184,767</u>	<u>(63,395)</u>	<u>4,892,699</u>
Less Accumulated Depreciation				
Land Improvements	(10,963)	(5,181)		(16,144)
Buildings and Building Improvements	(2,340,205)	(38,040)		(2,378,245)
Furniture, Fixtures, and Equipment	(896,647)	(110,485)	29,212	(977,920)
Vehicles	(429,699)	(62,385)	34,183	(457,901)
Total Accumulated Depreciation	<u>(3,677,514)</u>	<u>(216,091)</u>	<u>\$63,395</u>	<u>(3,830,210)</u>
Depreciable Capital Assets, Net	<u>1,093,813</u>	<u>(31,324)</u>		<u>1,062,489</u>
Governmental Activities Capital Assets, Net	<u>\$1,276,932</u>	<u>\$375,851</u>		<u>\$1,652,783</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$70,765
Support Services:	
Instructional Staff	8,666
Administration	3,728
Fiscal	100
Operation and Maintenance of Plant	4,831
Pupil Transportation	60,168
Non-Instructional Services	10,050
Extracurricular	18,967
Capital Outlay	38,816
Total Depreciation Expense	<u>\$216,091</u>

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. 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 2006, the District participated in the Ohio School Plan (the Plan), an insurance purchasing pool. The District maintains fleet insurance with the Plan. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal 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 18). 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, 2006
(Continued)**

11. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the SERS, 300 East Broad Street., Suite 100, Columbus, Ohio 43215-3634 or by calling toll free (800) 878-5853. It is also posted on SERS' website, 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 an actuarially determined rate. The current 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$94,508, \$91,929, and \$76,548, respectively. 56 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contributions for fiscal year 2006 are \$55,644.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling toll free (888) 227-7877. It is also posted on STRS' website, 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. DEFINED PENSION BENEFIT PLANS – (Continued)

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.

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.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

For the fiscal year ended June 30, 2006, 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, 2006, 2005, and 2004, were \$544,850, \$544,624, and \$523,519, respectively. 85 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is \$88,532.

12. POSTEMPLOYMENT BENEFITS

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. POSTEMPLOYMENT BENEFITS – (Continued)

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 costs 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, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$41,912 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for 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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, 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 2006 fiscal year equaled \$41,971.

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 fiscal year. Expenses for health care for the fiscal year ended June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

13. COMPENSATED ABSENCES

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

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. COMPENSATED ABSENCES – (Continued)

Effective July 1, 2006, the following vacation policy will be in place: 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. On July 1, 2006, any employee who has accumulated vacation time in excess of this provision shall forfeit the excessive amount of vacation days accumulated.

14. SHORT-TERM OBLIGATIONS

The District's short-term debt obligations at year end consist of the following:

	Interest Rate	Balance at 06/30/05	Additions	Deletions	Balance at 06/30/06
Bond Anticipation Note, 2006	4.50%		\$9,930,000		\$9,930,000

The bond anticipation note was issued to finance the District's local share of the Ohio School Commission Facility project. The bond anticipation note is backed by the full faith and credit of the District and matures within one year.

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2006, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 06/30/05	Increase	Decrease	Balance at 06/30/06	Amount Due In One Year
Mortgage Note Payable	\$ 146,233		\$ 32,051	\$ 114,182	\$ 33,026
General Obligation Bonds:					
Serial - Series 2006		\$ 5,240,000		5,240,000	
Term - Series 2006		4,690,000		4,690,000	
Total General Obligation Bonds		9,930,000		9,930,000	
Compensated Absences	866,414	951,377	866,414	951,377	
Total Long-Term Obligations	\$ 1,012,647	\$ 10,881,377	\$ 898,465	\$ 10,995,559	\$ 33,026

Debt outstanding at June 30, 2006, 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%. The proceeds were used to purchase land for the site of the new school building. The notes are being retired from the General and Permanent Improvement funds. The notes mature in March 2010.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

School Improvement Bonds - 2006

The District issued \$9,930,000 in voted general obligation bonds for the purpose of constructing, renovation, 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.

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

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2008	180,000	3.75%
2009	180,000	3.75%
2010	225,000	3.75%
2011	230,000	3.65%
2012	240,000	3.75%
2013	250,000	3.75%
2014	260,000	3.85%
2015	270,000	3.95%
2016	280,000	4.00%
2017	290,000	4.00%
2018	300,000	4.10%
2019	315,000	4.15%
2020	325,000	5.00%
2121	345,000	5.00%
2022	360,000	5.00%
2023	380,000	5.00%
2024	395,000	5.00%
2025	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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

<u>Redemption Date (December 1)</u>	<u>Principal Amount To Be Redeemed</u>
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

The scheduled payments of principal and interest on debt outstanding at June 30, 2006, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 33,026	\$ 481,610	\$ 514,636
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 - 2016	1,300,000	1,904,021	3,204,021
2017 - 2021	1,575,000	1,611,775	3,186,775
2022 - 2026	1,985,000	1,182,828	3,167,828
2027 - 2031	2,485,000	674,959	3,159,959
2032 - 2034	1,770,000	118,697	1,888,697
Total	<u>\$ 10,044,182</u>	<u>\$ 7,660,011</u>	<u>\$ 17,704,193</u>

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2005	\$1,700	
Current Year Set-aside Requirement	138,153	\$138,153
Current Year Offsets	(111,420)	(108,193)
Qualifying Disbursements	(105,042)	(41,167)
Total	(76,609)	(\$11,206)
Cash Balance Carried Forward to FY 2007	(\$76,609)	

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

The District has qualifying cash disbursements during the fiscal year that reduced the textbooks set-aside amount to below zero. This amount may be used to reduce the set-aside requirement in future fiscal years.

17. 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. All payments made by the District for services received are made to the Northern Buckeye Education Council. 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 paid \$28,727 for services received through 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. The District paid \$500 to the Four County Career Center in 2006. To obtain financial information write to the Four County Career Center, Lois Knuth, 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. No payments were made to NOERC during 2005. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

E. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of 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. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

18. GROUP PURCHASING POOLS

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

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

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

In fiscal year 2006, the Hicksville Exempted Village School District contributed a total of \$677,842 for employee insurance benefits. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program. In 2006, the District paid \$1,741 in enrollment fees.

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").

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% and is less than 80% 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.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

18. GROUP PURCHASING POOLS – (Continued)

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	2005	2004
Assets	\$952,191	\$850,065
Liabilities	213,419	509,558
Members' Equity	738,772	340,507

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

19. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2006, consist of the following receivables and payables:

Fund	Receivable	Payable
General Fund	\$5,003	
Other Government Funds:		
Food Service Fund		\$5,003
Totals	\$5,003	\$5,003

20. 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, 2006.

B. Litigation

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

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

21. SUBSEQUENT EVENTS

In January 2007, bids were taken by the project construction manager for the new school facility construction work. The following bids were awarded by the Board, subject to final approval by the Ohio School Facilities Commission.

<u>Company</u>	<u>Award Amount</u>
Lingvai Excavating	\$ 1,850,520
Woolace Electric	2,338,850
Ohio Plumbing & Electrical, Inc.	928,000
Peterson Construction	12,262,000
Commercial Appliance Contracts	372,621
Absolute Fire Protection	281,500
Reynolds Electric Company, Inc.	240,500
Vaughn Industries, Inc.	3,193,000

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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 Hicksville Exempted Village School District, Defiance County (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2007. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-003 and 2006-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the District's management dated March 28, 2007, we reported other matters involving internal control over financial reporting which we did not deem as reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

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 or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the District's management dated March 28, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Mary Taylor, CPA
Auditor of State

March 28, 2007

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

FINDING NUMBER 2006-001

Non-Compliance Citation

Ohio Revised Code § 135.18 states that the Treasurer of a political subdivision must require the depository to provide, as security, an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety bonds, or pledged securities.

The District did not have collateral pledged, as security, for \$612,031 in deposits held at Hicksville Building and Loan and Savings Bank. This represents 55% of the District's total deposits of \$1,114,391 at June 30, 2006. Without collateral pledged, cash assets are not protected against any potential financial complications that the bank may encounter. We recommend that the District periodically review the District's collateral pledged by the bank and compare it to the amount of its deposits to ensure adequate coverage.

Officials' Response

Management will ensure that all District deposits are adequately collateralized.

FINDING NUMBER 2006-002

Non-Compliance Citation

Ohio Revised Code § 5705.10 (E) states that all proceeds from the sale of public obligations or fractionalized interests in public obligations, except premium and accrued interest, shall be paid into a special fund for the purpose of such issue, and any interest and other income earned on money in such special fund may be used for the purpose for which the indebtedness was authorized or may be credited to the general fund or other fund or account as the taxing authority authorizes and used for the purposes of that fund or account. The premium and accrued interest received from such sale shall be paid into the sinking fund or the bond retirement fund of the subdivision.

Bond proceeds in the amount of \$9,816,780 (net of bond premiums, interest earnings, and management fees) were not paid into a special fund as of June 30, 2006. As a result, Bond Retirement revenues, expenditures, and fund balance were materially understated. These bonds were to be used to retire bond anticipating notes issued earlier in 2006. The proceeds should have been credited to the District's bond retirement fund.

An adjustment was recorded to include the transaction on the District's financial statements, thereby paying the proceeds into the District's Bond Retirement fund.

Officials' Response

The Treasurer will post all debt proceeds received by the District to the proper fund.

FINDING NUMBER 2006-003

Reportable Condition

In 2006, the District received approval from the Ohio Superintendent of Public Instruction as an approved special needs district. This allowed the District to participate in the Classroom Facilities Assistance Program. Through this program, the District will receive \$17,816,596 in state assistance toward the construction of a new Pre-K through 12 school facility.

Section N50 of the Codification of Governmental Accounting and Financial Reporting Standards set the recognition requirements for government-mandated non-exchange transactions and voluntary non-exchange transactions. When there are no time requirements, the entire award amount would be recognized as a receivable and revenue by the recipient in the period when all applicable eligibility requirements are met (.122). In the financial statements for governmental funds, revenues are recognized in the period when an enforceable legal claim has arisen *and* the resources are available (.127).

At June 30, 2006, the District did not record this activity on its financial statements. As a result, intergovernmental receivable was understated and deferred revenues were over stated by \$17,737,162 on the entity-wide financial statements. In addition, intergovernmental receivables and deferred revenues applicable to the District's Ohio School Facilities fund on the fund financial statements were understated by \$17,816,596 and \$17,737,162, respectively. Adjustments were made to record this activity on the District's financial statements.

The District should record this activity on its financial statements.

Officials' Response

The Treasurer will provide the compilation auditor with fiscal year end information as to how much Ohio School Classroom Facilities Commission monies are still to be received.

FINDING NUMBER 2006-004

Reportable Condition

Section 2400.102 of the Codification of Governmental Accounting and Financial Reporting Standards sets the requirements for budgetary reporting standards. Budgetary comparisons should be presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. The *original budget* is the first complete appropriated budget. The appropriated budget is the expenditure authority created by the appropriation bills or ordinances which are signed into law (annual appropriation resolution) and related estimated revenues.

The District's original budget presentation for the General Fund differed from the first complete appropriated budget in the following instances:

**FINDING NUMBER 2006-004
 (Continued)**

	Original Budget		
	Reported	Approved	Variance
Revenues:			
Property & Other Local Taxes		\$ 1,602,586	\$ 1,602,586
Income Tax		1,155,700	1,155,700
Intergovernmental	\$ 2,250	4,001,858	3,999,608
Interest		30,000	30,000
Tuition & Fees		234,196	234,196
Rent	1,750	2,450	700
Gifts & Donations	1,175	2,875	1,700
Miscellaneous		500	500
Refund of Prior Year Expenditures		500	500
Advances In		20,945	20,945
Total Estimated Revenues	\$5,175	\$7,051,611	\$7,046,436
Expenditures:			
Current:			
Instruction:			
Regular	\$ 3,053,655	\$ 3,239,156	\$ 185,501
Special	654,673	710,600	55,927
Vocational	159,301	159,699	398
Other		144,500	144,500
Support Services:			
Instructional Staff	349,708	350,701	993
Administration	677,147	677,644	497
Pupil Transportation	195,672	256,335	60,663
Central	38,000	43,000	5,000
Operation of Non-Instructional Services	10,500		(10,500)
Extracurricular Activities	212,578	212,628	50
Capital Outlay	40,538	38,513	(2,025)
Debt Service:			
Principal	30,000	32,025	2,025
Other Financing Uses	663,173	702,770	39,597
Total Estimated Expenditures	\$6,084,945	\$6,567,570	\$482,625

The above appropriated amounts were considered the original budget initially approved by the board of education. This information is essential to financial planning, control, and evaluation processes of the District. Adjustments were made to the District's General Fund budgetary comparison to include the above noted differences. We recommend that all original budget amounts should be included in the District's budgetary accounting system and reported in the District's financial statements.

Officials' Response

The Treasurer will provide the compilation auditor with Board approved original budgeted estimated receipts and appropriations.

**HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY**

**Schedule of Prior Audit Findings
June 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Fund Raising Monitoring Controls recommendation	No	Partially Corrected – Reissued in management letter.



Mary Taylor, CPA
Auditor of State

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
MAY 10, 2007