



**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF HICKSVILLE
DEFIANCE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Hicksville
Defiance County
111-113 South Main Street
Hicksville, Ohio 43526-1398

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 24, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hicksville
Defiance County
111-113 South Main Street
Hicksville, Ohio 43526-1398

To the Members of Council:

We have audited the accompanying financial statements of Village of Hicksville, Defiance County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Hicksville, Defiance County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2007, on our consideration of the Village'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.



Mary Taylor, CPA
Auditor of State

May 24, 2007

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,136,130	\$78,935		\$1,215,065
Special Assessments		449	\$53,578	54,027
Intergovernmental Receipts	189,916	180,496	324,407	694,819
Charges for Services	52,479	29,634		82,113
Fines, Licenses, and Permits	57,497	2,597		60,094
Earnings on Investments	180,572	8,847	5,037	194,456
Miscellaneous	93,269	231,979	24,517	349,765
	<u>1,709,863</u>	<u>532,937</u>	<u>407,539</u>	<u>2,650,339</u>
Total Cash Receipts				
	<u>1,709,863</u>	<u>532,937</u>	<u>407,539</u>	<u>2,650,339</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	582,818	123,144		705,962
Public Health Services	20,771			20,771
Leisure Time Activities	113,577			113,577
Community Environment	9,805	26,714		36,519
Basic Utility Services		15,754		15,754
Transportation		182,669		182,669
General Government	339,812			339,812
Debt Service:				
Principal Payments		2,500		2,500
Capital Outlay	83,540	53,899	6,034,960	6,172,399
	<u>1,150,323</u>	<u>404,680</u>	<u>6,034,960</u>	<u>7,589,963</u>
Total Cash Disbursements				
	<u>1,150,323</u>	<u>404,680</u>	<u>6,034,960</u>	<u>7,589,963</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>559,540</u>	<u>128,257</u>	<u>(5,627,421)</u>	<u>(4,939,624)</u>
Other Financing Receipts and (Disbursements):				
Loan Proceeds		100,000	5,211,320	5,311,320
Transfers-In		70,000	476,345	546,345
Transfers-Out	(546,345)			(546,345)
Other Uses	(57,259)	(150,694)		(207,953)
	<u>(603,604)</u>	<u>19,306</u>	<u>5,687,665</u>	<u>5,103,367</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(603,604)</u>	<u>19,306</u>	<u>5,687,665</u>	<u>5,103,367</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(44,064)</u>	<u>147,563</u>	<u>60,244</u>	<u>163,743</u>
Fund Cash Balances, January 1	<u>1,205,291</u>	<u>670,449</u>	<u>1,925,187</u>	<u>3,800,927</u>
Fund Cash Balances, December 31	<u><u>\$1,161,227</u></u>	<u><u>\$818,012</u></u>	<u><u>\$1,985,431</u></u>	<u><u>\$3,964,670</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,186,495		\$1,186,495
Miscellaneous	10,736		10,736
Total Operating Cash Receipts	1,197,231		1,197,231
Operating Cash Disbursements:			
Personal Services	362,971		362,971
Transportation	1,861		1,861
Contractual Services	184,683		184,683
Supplies and Materials	102,286		102,286
Capital Outlay	5,382		5,382
Total Operating Cash Disbursements	657,183		657,183
Operating Income	540,048		540,048
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	17,732	\$18,831	36,563
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	19,283	18,415	37,698
Excess of Receipts Over Disbursements	538,497	416	538,913
Fund Cash Balances, January 1	640,038	1,425	641,463
Fund Cash Balances, December 31	\$1,178,535	\$1,841	\$1,180,376

The notes to the financial statements are an integral part of this statement

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,089,760	\$86,823		\$1,176,583
State Shared Taxes and Permits				
Special Assessments			\$51,274	51,274
Intergovernmental Receipts	224,659	171,036	49,773	445,468
Charges for Services	52,430	35,712		88,142
Fines, Licenses, and Permits	51,111	2,122		53,233
Earnings on Investments	115,828	5,179		121,007
Miscellaneous	39,507	250,356		289,863
	<u>1,573,295</u>	<u>551,228</u>	<u>101,047</u>	<u>2,225,570</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	572,171	103,129		675,300
Public Health Services	20,415			20,415
Leisure Time Activities	108,826			108,826
Community Environment	14,201	17,224		31,425
Basic Utility Services		13,765		13,765
Transportation		173,127		173,127
General Government	338,670			338,670
Debt Service:				
Principal Payments			172	172
Capital Outlay	93,072	55,879	1,663,511	1,812,462
	<u>1,147,355</u>	<u>363,124</u>	<u>1,663,683</u>	<u>3,174,162</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>425,940</u>	<u>188,104</u>	<u>(1,562,636)</u>	<u>(948,592)</u>
Other Financing Receipts and (Disbursements):				
Loan Proceeds			1,180,132	1,180,132
Transfers-In		70,000	562,088	632,088
Transfers-Out	(632,088)			(632,088)
Other Uses	(24,105)	(71,321)		(95,426)
	<u>(656,193)</u>	<u>(1,321)</u>	<u>1,742,220</u>	<u>1,084,706</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(230,253)	186,783	179,584	136,114
Fund Cash Balances, January 1	1,435,544	483,666	1,745,603	3,664,813
Fund Cash Balances, December 31	<u>\$1,205,291</u>	<u>\$670,449</u>	<u>\$1,925,187</u>	<u>\$3,800,927</u>
Reserves for Encumbrances, December 31	<u>\$13,480</u>	<u>\$5,952</u>	<u>\$16,127</u>	<u>\$35,559</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$997,635		\$997,635
Miscellaneous	9,985		9,985
Total Operating Cash Receipts	<u>1,007,620</u>		<u>1,007,620</u>
Operating Cash Disbursements:			
Personal Services	289,195		289,195
Transportation	1,869		1,869
Contractual Services	357,797		357,797
Supplies and Materials	68,354		68,354
Capital Outlay	19,326		19,326
Total Operating Cash Disbursements	<u>736,541</u>		<u>736,541</u>
Operating Income	<u>271,079</u>		<u>271,079</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>39,601</u>	<u>\$25,066</u>	<u>64,667</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	<u>15,343</u>	<u>26,238</u>	<u>41,581</u>
Excess of Receipts Over/(Under) Disbursements	295,337	(1,172)	294,165
Fund Cash Balances, January 1	<u>344,701</u>	<u>2,597</u>	<u>347,298</u>
Fund Cash Balances, December 31	<u><u>\$640,038</u></u>	<u><u>\$1,425</u></u>	<u><u>\$641,463</u></u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hicksville, Defiance County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village provides water, sewer and refuse utilities, park operations, fire, emergency medical and police services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Community Development Fund - This fund receives repayments from Community Development Revolving Loans to area businesses that are used to issue low-interest loans to area businesses.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvements Fund - This fund receives a portion of the Village income tax revenue transferred from the General fund. This revenue is used to make permanent improvements to the Village land and property.

Ohio Water Development Authority (OWDA) Water Plant Improvement Project Fund - This fund receives proceeds of a loan received from the Ohio Water Development Authority. The proceeds are being used to fund improvements to the Village's water treatment facility.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activity of the Mayor's Court. This fund receives fines, bonds, and costs assessed by the Court and disburse these amounts to the State, the Village, or the payee.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Cash on hand	\$630	\$480
Demand deposits	371,193	1,203,335
Certificates of deposit	2,692,608	2,217,207
Total deposits	3,064,431	3,421,022
U.S. Treasury Notes	1,698,800	992,686
STAR Ohio	14,024	13,357
Money Market Mutual fund	367,791	15,325
Total investments	2,080,615	1,021,368
Total deposits and investments	\$5,145,046	\$4,442,390

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,457,000	\$1,709,863	\$252,863
Special Revenue	667,644	702,937	35,293
Capital Projects	5,828,366	6,095,204	266,838
Enterprise	1,139,100	1,214,963	75,863
Total	\$9,092,110	\$9,722,967	\$630,857

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,387,250	\$1,753,927	\$633,323
Special Revenue	953,457	555,374	398,083
Capital Projects	7,018,172	6,034,960	983,212
Enterprise	1,338,401	676,466	661,935
Total	<u>\$11,697,280</u>	<u>\$9,020,727</u>	<u>\$2,676,553</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,564,440	\$1,573,295	\$8,855
Special Revenue	631,087	621,228	(9,859)
Capital Projects	1,832,188	1,843,267	11,079
Enterprise	1,047,221	1,047,221	
Total	<u>\$5,074,936</u>	<u>\$5,085,011</u>	<u>\$10,075</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,640,501	\$1,817,028	\$823,473
Special Revenue	796,952	440,397	356,555
Capital Projects	2,738,919	1,679,810	1,059,109
Enterprise	987,019	751,884	235,135
Total	<u>\$7,163,391</u>	<u>\$4,689,119</u>	<u>\$2,474,272</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. PROPERTY TAX – (Continued)

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$6,391,452	0.20%
Ohio Department of Commerce Small Government Fire Department Services Loan	<u>95,000</u>	
Total	<u><u>\$6,486,452</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$6,486,997 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$194,909, including interest, over 20 years. The scheduled payment amount below assumes that \$6,399,790 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Department of Commerce Small Government Fire Department Services Loan relates to the construction of a new fire station which will be used to house the Village fire department's apparatus and operations. The Village is repaying the loan from the fire levy fund in quarterly payments of \$2,500 over 10 years. The new fire station is collateral for the loan.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. DEBT – (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan	ODC Small Government Loan
2007		\$7,500
2008	326,592	10,000
2009	326,592	10,000
2010	326,592	10,000
2011	326,592	10,000
2012-2016	1,632,960	47,500
2017-2021	1,632,960	
2022-2026	1,632,960	
Thereafter	653,184	
Total	\$6,858,432	\$95,000

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2006 and 2005, OPERS members contributed 9.0 percent and 8.5 percent, respectively, of their wages. The Village contributed an amount equal to 13.70 percent (2006) and 13.55 percent (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT – (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool'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):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Risk Pool Membership

The Village is a member of the Buckeye Ohio Risk Management Agency, Inc. (the Pool). The Pool assumes the risk of loss up to the limits of the Village of Hicksville's Employee Health Plan policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- Medical benefits;
- Prescription drug; and
- Dental benefits.

VILLAGE OF HICKSVILLE
DEFIANCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

8. RISK MANAGEMENT – (Continued)

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$3,078,1430	\$3,074,858
Liabilities	<u>(2,488,714)</u>	<u>(2,208,226)</u>
Members' Equity	<u>\$589,429</u>	<u>\$866,632</u>

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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*

Village of Hicksville
Defiance County
111-113 South Main Street
Hicksville, Ohio 43526-1398

To the Village Council:

We have audited the financial statements of Village of Hicksville, Defiance County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 24, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

We considered the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe finding number 2006-001 is also a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated May 24, 2007.

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



Mary Taylor, CPA
Auditor of State

May 24, 2007

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness

Financial Reporting

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

1. Loan proceeds received from Ohio Water Development Authority, \$5,211,320 and \$1,180,132 in 2006 and 2005 and Ohio Department of Commerce, \$100,000 in 2006 were recorded as intergovernmental revenues.
2. Grant proceeds received from the United States Environmental Protection Agency in 2006 of \$288,700 and from Defiance County through its Community Development Block Grant - Formula grant program in 2005 of \$20,000 was recorded as miscellaneous revenue instead of intergovernmental revenue.
3. In addition, the financial activity (receipts, expenditures and any fund balance) of the Mayor's court is reported as an agency fund on the Village's financial statements submitted to the Auditor of State per Ohio Rev. Code §124.38. This activity was overstated in 2006 and omitted in 2005.

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

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials' Response

Management did not respond to this finding.

VILLAGE OF HICKSVILLE
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Estimated Resources approved by council differed from those recorded in the accounting system.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF HICKSVILLE

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2007**