



**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY

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# Mary Taylor, CPA Auditor of State

Hicksville Township  
Defiance County  
05360 Fountain Street Road  
Hicksville, Ohio 43526-9318

To the Board of Trustees:

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 adverse 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.

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

**Mary Taylor, CPA**  
Auditor of State

June 11, 2008

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Hicksville Township  
Defiance County  
05360 Fountain Street Road  
Hicksville, Ohio 43526-9318

To the Board of Trustees:

We have audited the accompanying financial statements of Hicksville Township, Defiance County, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township'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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township 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.

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Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township 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 townships to reformat their statements. The Township 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, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, 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 Hicksville Township, Defiance County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township 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 June 11, 2008, on our consideration of the Township'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

June 11, 2008



**HICKSVILLE TOWNSHIP  
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, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$24,759	\$68,253	\$93,012
Licenses, Permits, and Fees	924		924
Intergovernmental	48,678	93,291	141,969
Earnings on Investments	423	112	535
	<u>74,784</u>	<u>161,656</u>	<u>236,440</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	71,045		71,045
Public Safety		24,684	24,684
Public Works	1,000	127,781	128,781
Health	11,424		11,424
	<u>83,469</u>	<u>152,465</u>	<u>235,934</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,685)</u>	<u>9,191</u>	<u>506</u>
<b>Other Financing Receipts:</b>			
Other Financing Sources	<u>96</u>		<u>96</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(8,589)	9,191	602
Fund Cash Balances, January 1	<u>57,324</u>	<u>122,656</u>	<u>179,980</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$48,735</u></b>	<b><u>\$131,847</u></b>	<b><u>\$180,582</u></b>
Reserve for Encumbrances, December 31	<u>\$69</u>	<u>\$217</u>	<u>\$286</u>

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

**HICKSVILLE TOWNSHIP  
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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$20,443	\$61,734		\$82,177
Licenses, Permits, and Fees	1,374			1,374
Intergovernmental	109,721	91,783	\$29,383	230,887
Earnings on Investments	387	123		510
Miscellaneous		492		492
Total Cash Receipts	<u>131,925</u>	<u>154,132</u>	<u>29,383</u>	<u>315,440</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	73,861			73,861
Public Safety		24,010		24,010
Public Works		68,686		68,686
Health	21,220			21,220
Capital Outlay			29,383	29,383
Debt Service:				
Redemption of Principal	10,000	11,255		21,255
Interest and Other Fiscal Charges	552			552
Total Cash Disbursements	<u>105,633</u>	<u>103,951</u>	<u>\$29,383</u>	<u>238,967</u>
Total Cash Receipts Over Cash Disbursements	<u>26,292</u>	<u>50,181</u>		<u>76,473</u>
<b>Other Financing Receipts:</b>				
Other Financing Sources	148			148
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	26,440	50,181		76,621
Fund Cash Balances, January 1	<u>30,884</u>	<u>72,475</u>		<u>103,359</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$57,324</u></b>	<b><u>\$122,656</u></b>		<b><u>\$179,980</u></b>
Reserve for Encumbrances, December 31	<u>\$69</u>	<u>\$217</u>		<u>\$286</u>

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

**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Hicksville Township, Defiance County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Hicksville for fire protection and emergency medical services.

The Township participates in the Ohio Government Risk Management Plan public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

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. The Township 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

The Township uses fund accounting to segregate cash that are restricted as to use. The Township 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire District Fund - This fund receives property tax money for fire protection and emergency medical services.

**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**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 Township had the following significant Capital Project fund:

Issue II Fund – This fund received a grant from the State of Ohio for road improvements to various Township roads.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund to 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. The Board of Trustees 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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2007	2006
Demand deposits	\$180,582	\$179,980

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,169	\$74,880	(\$46,289)
Special Revenue	141,425	161,656	20,231
Total	\$262,594	\$236,536	(\$26,058)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$210,431	\$83,538	\$126,893
Special Revenue	203,169	152,682	50,487
Total	\$413,600	\$236,220	\$177,380

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,119	\$132,073	\$33,954
Special Revenue	138,450	154,132	15,682
Capital Projects		29,383	29,383
Total	\$236,569	\$315,588	\$79,019

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,296	\$105,702	\$27,594
Special Revenue	166,163	104,168	61,995
Capital Projects		29,383	(29,383)
Total	\$299,459	\$239,253	\$60,206

**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY – (CONTINUED)**

Contrary to Ohio law, the Township did not appropriate \$29,383 spent on their behalf by the Ohio Public Works Commission (OPWC) in fiscal year 2006 even though the Township's appropriation ledger showed the amount budgeted in the Issue II Fund.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such 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 behalf of the Township.

**5. DEBT**

The Township entered into a master equipment lease/purchase agreement on August 15, 2004, for the purchase of a new dump truck. The Township made scheduled principal and interest "rental" payments until sufficient monies to purchase the vehicle were paid in full. The final payment was made on February 14, 2006.

**6. RETIREMENT SYSTEM**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

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 retains 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.

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

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

	<b>2006</b>	<b>2005</b>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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

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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 Township  
Defiance County  
05360 Fountain Street Road  
Hicksville, Ohio 43526-9318

To the Board of Trustees:

We have audited the financial statements of Hicksville Township, Defiance County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 11, 2008, wherein we noted the Township prepared its financial statements using the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However *Government Auditing Standards* permit the Auditor of State to audit and opine on this entity, because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 Township'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 Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Township'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 Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-004 and 2007-006.

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

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

We also noted certain matters that we reported to the Township's management in a separate letter dated June 11, 2008.

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

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-005.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 11, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

June 11, 2008

**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Finding for Recovery**

Ohio Constitution, Article II, Section 20, generally, prohibits public officials from receiving increases or decreases in compensation in the middle of a term of office.

Additionally, Ohio Revised Code § 505.24 sets the 2007 salary for township trustees in townships with a budget between \$250,001 and \$500,000, as follows for trustees elected or appointed after December 8, 2000, \$41.29 per day or \$8,258 for the year.

For 2007, the Township compensated each Trustee \$9,042.48, resulting in overpayment to each Trustee. As stated above, a public official may not receive an increase in his/her compensation during a term of office. In this instance, the overpayment resulted as follows:

Trustee	Maximum Statutory Compensation	Total Amount Paid	Overpayment
Gregory Collins	\$8,258.00	\$9,042.48	\$784.48
Jeffrey Green	8,258.00	9,042.48	784.48
David Wonderly	8,258.00	9,042.48	784.48
	\$24,774.00	\$27,127.44	
Total Overpayment			\$2,353.44

In accordance with the forgoing facts and pursuant to Ohio Revised Code § 117.28, findings for recovery for public money illegally expended are hereby issued against Gregory Collins, Trustee, Jeffrey Green, Trustee, David Wonderly, Trustee, and their bonding company, Auto-Owners (Mutual) Insurance Company, in the corresponding amounts listed above. Each is primarily liable for the amount he received in overpayment.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Revised Code § 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

**FINDING NUMBER 2007-001  
(Continued)**

Therefore, because all Township Officials approved and signed the warrants resulting in improper payments, the following are jointly and severally liable for the entire amount of \$2,353.44: Gregory Collins, Trustee, Jeffrey Green, Trustee, David Wonderly, Trustee, and their bonding company, Auto-Owners (Mutual) Insurance Company. Additionally, Kelly Wonderly, Fiscal Officer, and her surety, Western Surety Company are also jointly and severally liable for the entire amount of \$2,353.44. This recovery is in favor of Hicksville Township's General Fund.

Kelly Wonderly will only be liable to the extent that payment is not received from Gregory Collins, Jeffrey Green, and David Wonderly.

**FINDING NUMBER 2007-002**

**Finding for Recovery Repaid Under Audit**

Ohio Constitution, Article II, Section 20, generally, prohibits public officials from receiving increases in compensation in the middle of a term of office.

Additionally, Ohio Revised Code § 507.09 sets the 2007 salary for township fiscal officers in townships with a budget between \$250,001 and \$500,000, in the amount of \$12,386 for fiscal officers elected or appointed after December 8, 2000.

For 2007, the Township compensated the Fiscal Officer \$13,562.64, which resulted in a \$1,176.64 overpayment.

In accordance with the forgoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Kelly Wonderly, Township Fiscal Officer in the amount of \$1,176.64 in favor of the General Fund as mentioned above.

On June 6, 2008, Kelly Wonderly reimbursed the Township's General Fund \$1,174.64 on Receipt No. 33-2008.

**FINDING NUMBER 2007-003**

**Finding for Recovery**

During the February 14, 2006 Board meeting, the Trustees voted to approve the hourly pay rate for Jack Dietz, Maintenance Employee. This approval set the hourly rate for Mr. Dietz at \$14.75.

Our review of time sheets and payroll records indicated Mr. Dietz worked 730 hours during fiscal year 2007. Based on the approved pay rate, Mr. Dietz should have been paid \$10,767.50 (\$14.75/hour x 730 hours) for 2007. The Township compensated Mr. Dietz in the amount of \$11,790.41. This resulted in an overpayment of \$1,022.91.

**FINDING NUMBER 2007-003  
 (Continued)**

During the December 14, 2004, Board meeting, the Trustees approved the compensation of Clark Poth, Zoning Inspector. This approval set Mr. Poth's annual salary at \$3,900. Our review indicated, however, that the Township actually paid Mr. Poth a salary of \$4,270.56 in 2007. This resulted in an overpayment of \$370.56.

The resulting overpayments to each employee are shown below:

<u>Employee</u>	<u>Total Earned Compensation</u>	<u>Total Amount Paid</u>	<u>Overpayment</u>
Jack Dietz	\$10,767.50	\$11,790.41	\$1,022.91
Clark Poth	3,900.00	4,270.56	370.56
	<u>\$14,667.50</u>	<u>\$16,060.97</u>	
Total Overpayment			<u>\$1,393.47</u>

In accordance with the forgoing facts and pursuant to Ohio Revised Code § 117.28, findings for recovery for public money illegally expended are hereby issued against Jack Dietz, Township maintenance worker, and Clark Poth, Township Zoning Inspector, in the corresponding amounts listed above in favor of the Township's Gasoline Tax Fund and Motor Vehicle License Tax Fund, respectively. Each is primarily liable for the amount he received in overpayment.

On June 10, 2008, Jack Dietz reimbursed the Township's Gasoline Tax Fund \$1,022.91 on Receipt No. 35-2008.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Revised Code § 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Therefore, because all Township Officials approved and signed the warrants resulting in improper payments to Mr. Poth, the following are jointly and severally liable for the amount of \$370.56: Gregory Collins, Trustee, Jeffrey Green, Trustee, David Wonderly, Trustee, and their bonding company, Auto-Owners (Mutual) Insurance Company. Additionally, Kelly Wonderly, Fiscal Officer, and her surety, Western Surety Company, are also jointly and severally liable for the entire amount of \$370.56.

Ohio Government Risk Management Plan, as surety for Mr. Poth, would also be jointly and severally liable for the amount of Mr. Poth's overpayment.

Gregory Collins, Jeffrey Green, David Wonderly, Kelly Wonderly and Western Surety Company will only be liable to the extent that payment is not received from Clark Poth.

#### **FINDING NUMBER 2007-004**

##### **Noncompliance Citation/Material Weakness**

Ohio Revised Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation.

We noted the following:

- In fiscal year 2006, all of the Trustees' wages and benefits, which amounted to \$28,050, were inappropriately allocated to the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Road and Bridge Fund without any record documenting each Trustee's time spent on township business related to road related services performed.
- In fiscal year 2007, \$6,144 of the Trustees' wages and benefits was improperly paid from the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Road and Bridge Fund. There was no record documenting each Trustee's time spent on township business related to road related services performed.
- There is no evidence that a resolution or other written approval specifying from which funds, and in what proportions, the Trustees' wages were to be paid.

The Township's financial statements have been adjusted so these transactions are reflected in the proper funds. The Township was first put on notice that this practice was in violation of Ohio law during the 2005/2004 audit.

We recommend that all Trustees' wages and fringe benefits be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries, including benefits, chargeable to other Township funds.

#### **FINDING NUMBER 2007-005**

##### **Noncompliance Citation**

Ohio Revised Code § 5705.38 requires a taxing authority to pass an appropriation measure each year. Such appropriation measure may then be amended or supplemented, but is required to comply with all provisions of law that governed the taxing authority when making the original appropriation. Ohio Revised Code § 5705.40. The taxing authority for a township is the Township Board of Trustees. Ohio Revised Code § 5705.01(C).

Additionally, Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

**FINDING NUMBER 2007-005  
 (Continued)**

In accordance with the ORC, the Township passed an annual appropriation measure. Subsequently, the Township received Issue II Fund monies. The Township Fiscal Officer then appropriated such monies without the approval of the Board of Trustees. As stated above, any amendment or supplement to the original appropriation measure is required to be done in compliance with all provisions of law that governed the original appropriation. Only the taxing authority of the entity has the ability to pass an appropriation measure and amend or supplement such. The Fiscal Officer was without authority to make the amendment to the original appropriation measure.

As a result, the monies were not deemed to be appropriated, and any expenditure of such was in violation of **Ohio Revised Code § 5705.41(B)**.

As of December 31, 2006, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Difference</u>
Issue II Fund		\$29,383	(\$29,383)

Failure to have adequate appropriations in place at the time expenditures are made and posting appropriations not approved by the Board could cause expenditures to exceed available resources, possibly resulting in deficit spending practices. Additionally, by not recording the correct budgeted amounts in the Township's accounting ledgers, management officials are not provided with adequate budgetary information to aid in monitoring the Township's financial position. This makes it difficult to make informed decisions whether available resources are sufficient to support appropriated and/or anticipated disbursements.

We recommend the Board appropriate funds for all benefits received from state or federal grants and approve appropriation changes before they are entered in the Township's accounting ledgers. In addition, management officials should review its records to ensure that all budgeted amounts are properly reflected in the appropriate accounts and monitor budgetary expenditure activity. Expenditures should only be made for which there are sufficient appropriations.

**FINDING NUMBER 2007-006**

**Material Weakness - Monitoring of Financial Transactions**

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.

The financial statements contained errors, such as the following:

- Trustees' wages and benefits were improperly paid out of the Motor Vehicle License Tax Fund; Gasoline Tax Fund; and Road and Bridge Fund rather than the General Fund in 2006 and 2007. This amounted to \$28,050 in 2006 and \$6,144 in 2007.
- Homestead and rollback receipts were incorrectly posted to the General Fund rather than to the Road and Bridge Fund and the Fire District Fund. This amounted to \$3,043 in 2007.

**FINDING NUMBER 2007-006  
(Continued)**

Over 40 audit adjustments were posted to the financial statements to correct these and other errors. Inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Township.

We recommend that all financial transactions be included in the proper fund and account codes as specified in the Ohio Township Handbook issued by the Auditor of State. Furthermore, the Township should adopt policies and procedures to include a final review of the financial statements by the Fiscal Officer and Trustees to ensure that errors and omissions are detected and corrected.

**Official's Response:**

We did not receive a response from Officials to the findings.



**HICKSVILLE TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Finding for recovery totaling \$476 against Jack Dietz, the Township maintenance employee, for overpayment of wages in 2004	Yes	Finding was repaid during the prior audit
2005-002	Ohio Revised Code § 5705.41(B) for expenditures in excess of appropriations in two funds in two funds in 2005	No	Not corrected – Revised Code provision will be reissued for the current audit period in finding 2007-005





**Mary Taylor, CPA**  
Auditor of State

**HICKSVILLE TOWNSHIP**

**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  
JULY 8, 2008**