



Dave Yost • Auditor of State



VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY

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# Dave Yost • 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 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

December 7, 2011

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# Dave Yost • 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 the Village of Hicksville, Defiance County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable 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 the Village of Hicksville, Defiance County, Ohio as of December 31, 2010 and 2009, 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 December 7, 2011, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

December 7, 2011



**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, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$950,330	\$47,967		\$998,297
Intergovernmental	204,875	203,700	\$15,000	423,575
Special Assessments			22,985	22,985
Charges for Services	98,297	47,249		145,546
Fines, Licenses and Permits	29,139	940		30,079
Earnings on Investments	62,467	1,770		64,237
Franchise Fees		22,786		22,786
Farm Lease Receipts		7,679		7,679
Revolving Loan Receipts		229,486		229,486
Miscellaneous	48,389	8,096		56,485
<b>Total Cash Receipts</b>	<u>1,393,497</u>	<u>569,673</u>	<u>37,985</u>	<u>2,001,155</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	553,387	118,613		672,000
Public Health Services	25,000			25,000
Leisure Time Activities	55,391			55,391
Community Environment	683	11,000		11,683
Basic Utility Service		12,261		12,261
Transportation		113,609		113,609
General Government	327,213			327,213
Debt Service	49,338			49,338
Capital Outlay	32,106	27,241	260,539	319,886
<b>Total Cash Disbursements</b>	<u>1,043,118</u>	<u>282,724</u>	<u>260,539</u>	<u>1,586,381</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>350,379</u>	<u>286,949</u>	<u>(222,554)</u>	<u>414,774</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		40,000		40,000
Transfers-Out	(40,000)			(40,000)
Other Financing Sources		240		240
Other Financing Uses		(46,522)		(46,522)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>(40,000)</u>	<u>(6,282)</u>		<u>(46,282)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>310,379</u>	<u>280,667</u>	<u>(222,554)</u>	<u>368,492</u>
<b>Fund Cash Balances, January 1</b>	<u>983,289</u>	<u>897,599</u>	<u>1,472,186</u>	<u>3,353,074</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,293,668</b></u>	<u><b>\$1,178,266</b></u>	<u><b>\$1,249,632</b></u>	<u><b>\$3,721,566</b></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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,187,022		\$1,187,022
Miscellaneous	14,908		14,908
Total Operating Cash Receipts	<u>1,201,930</u>		<u>1,201,930</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	370,224		370,224
Transportation	1,217		1,217
Contractual Services	285,960		285,960
Supplies and Materials	42,900		42,900
Claims	60,911		60,911
Total Operating Cash Disbursements	<u>761,212</u>		<u>761,212</u>
Operating Income	<u>440,718</u>		<u>440,718</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts	<u>9,600</u>	<u>\$29,851</u>	<u>39,451</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	339,842		339,842
Other Non-Operating Cash Disbursements	<u>9,774</u>	<u>30,187</u>	<u>39,961</u>
Total Non-Operating Cash Disbursements	<u>349,616</u>	<u>30,187</u>	<u>379,803</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	100,702	(336)	100,366
Fund Cash Balances, January 1	<u>1,282,460</u>	<u>1,328</u>	<u>1,283,788</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$1,383,162</u></u></b>	<b><u><u>\$992</u></u></b>	<b><u><u>\$1,384,154</u></u></b>

*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, 2009**

	<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 Local Taxes	\$972,738	\$74,597		\$1,047,335
Intergovernmental	238,571	200,348	\$44,692	483,611
Special Assessments			26,933	26,933
Charges for Services	105,451	39,661		145,112
Fines, Licenses and Permits	31,789	1,464		33,253
Earnings on Investments	174,965	1,149		176,114
Franchise Fees		26,191		26,191
Farm Lease Receipts		7,183		7,183
Revolving Loan Receipts		161,208		161,208
Miscellaneous	29,464	2,312	4,104	35,880
	<u>1,552,978</u>	<u>514,113</u>	<u>75,729</u>	<u>2,142,820</u>
<b>Total Cash Receipts</b>				
	<u>1,552,978</u>	<u>514,113</u>	<u>75,729</u>	<u>2,142,820</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	632,092	140,793		772,885
Public Health Services	25,000			25,000
Leisure Time Activities	94,203			94,203
Community Environment	6,611	34,580		41,191
Basic Utility Service		11,573		11,573
Transportation		190,647		190,647
General Government	350,584			350,584
Debt Service	36,883	10,000		46,883
Capital Outlay	38,615	45,969	295,896	380,480
	<u>1,183,988</u>	<u>433,562</u>	<u>295,896</u>	<u>1,913,446</u>
<b>Total Cash Disbursements</b>				
	<u>1,183,988</u>	<u>433,562</u>	<u>295,896</u>	<u>1,913,446</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>368,990</u>	<u>80,551</u>	<u>(220,167)</u>	<u>229,374</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		100,000	271,756	371,756
Transfers-Out	(371,756)			(371,756)
Other Financing Sources		1,560	3,412	4,972
Other Financing Uses	(32,979)	(2,864)		(35,843)
	<u>(404,735)</u>	<u>98,696</u>	<u>275,168</u>	<u>(30,871)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
	<u>(404,735)</u>	<u>98,696</u>	<u>275,168</u>	<u>(30,871)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(35,745)</u>	<u>179,247</u>	<u>55,001</u>	<u>198,503</u>
<b>Fund Cash Balances, January 1</b>	<u>1,019,034</u>	<u>718,352</u>	<u>1,417,185</u>	<u>3,154,571</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$983,289</u></u>	<u><u>\$897,599</u></u>	<u><u>\$1,472,186</u></u>	<u><u>\$3,353,074</u></u>
<b>Reserve for Encumbrances, December 31</b>			<u><u>\$92,608</u></u>	<u><u>\$92,608</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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,189,702		\$1,189,702
Miscellaneous	24,301		24,301
Total Operating Cash Receipts	<u>1,214,003</u>		<u>1,214,003</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	394,010		394,010
Transportation	1,417		1,417
Contractual Services	323,247		323,247
Supplies and Materials	66,652		66,652
Capital Outlay	171,463		171,463
Total Operating Cash Disbursements	<u>956,789</u>		<u>956,789</u>
Operating Income	<u>257,214</u>		<u>257,214</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts	<u>11,632</u>	<u>\$16,649</u>	<u>28,281</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	331,286		331,286
Other Non-Operating Cash Disbursements	<u>15,833</u>	<u>22,531</u>	<u>38,364</u>
Total Non-Operating Cash Disbursements	<u>347,119</u>	<u>22,531</u>	<u>369,650</u>
Excess of Cash Disbursements Over Cash Receipts	(78,273)	(5,882)	(84,155)
Fund Cash Balances, January 1	<u>1,360,733</u>	<u>7,210</u>	<u>1,367,943</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,282,460</u></b>	<b><u>\$1,328</u></b>	<b><u>\$1,283,788</u></b>

*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, 2010 AND 2009**

**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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. 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. 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 Village 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. Deposits and Investments**

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

The Village values U.S. Agency Securities and certificates of deposits at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The Village's repurchase agreement is recorded at the amount reported by First Federal Bank on December 31, 2010.

**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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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.

Fire Levy Fund – This fund receives fire levy tax money for fire protection.

**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 Fund:

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

**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 had the following significant Agency Funds:

Mayor's Court Fund - This fund receives fines, bonds, and costs assessed by the Court and disburses these amounts to the State, the Village, or the payee.

Fire Damage Claims Fund – This fund receives deposits from insurance companies for properties damaged by fire in the Village. The deposits in the Fire Damage Claims Fund are released to the property owner when they submit a contractor's signed estimate of the costs of removing, repairing or securing the building or other structure if the Village has not incurred any costs for repairs, removal, or securing of the building or other structure

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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. The 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2010 and 2009 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, 2010 AND 2009  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2010	2009
Demand deposits	\$165,662	\$37,321
Certificates of deposit		500,000
Cash on Hand	630	630
Total deposits and cash on hand	166,292	537,951
U.S. Agency Securities	2,780,645	2,745,237
STAR Ohio	20,222	20,200
Repurchase agreement	2,138,561	1,333,474
Total investments	4,939,428	4,098,911
Total deposits, cash on hand and investments	\$5,105,720	\$4,636,862

**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 Village values U.S. Agency Securities and certificates of deposits at cost. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,395,000	\$1,393,497	(\$1,503)
Special Revenue	602,042	609,913	7,871
Capital Projects	37,985	37,985	
Enterprise	1,211,242	1,211,530	288
Fiduciary	14,967	14,967	
Total	\$3,261,236	\$3,267,892	\$6,656



**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,323,694	\$1,083,118	\$240,576
Special Revenue	968,690	329,246	639,444
Capital Projects	738,385	260,539	477,846
Enterprise	1,877,510	1,110,828	766,682
Fiduciary	14,967	14,967	
Total	<u>\$4,923,246</u>	<u>\$2,798,698</u>	<u>\$2,124,548</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,560,161	\$1,552,978	(\$7,183)
Special Revenue	608,490	615,673	7,183
Capital Projects	350,897	350,897	
Enterprise	1,225,635	1,225,635	
Fiduciary	5,760	5,760	
Total	<u>\$3,750,943</u>	<u>\$3,750,943</u>	

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,332,432	\$1,588,723	\$743,709
Special Revenue	1,149,751	436,426	713,325
Capital Projects	1,368,782	388,504	980,278
Enterprise	1,976,859	1,303,908	672,951
Fiduciary	12,620	12,620	
Total	<u>\$6,840,444</u>	<u>\$3,730,181</u>	<u>\$3,110,263</u>

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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 Village.

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.

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax (Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$5,677,411	0.20%
Ohio Department of Commerce Small Government Fire Department Services Loan	<u>52,500</u>	
Total	<u><u>\$5,729,911</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 including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Contrary to the OWDA loan agreement, the Village did not charge adequate sewer rates to meet the requirements for maintaining, repairing, and operating the system, and the retirement of debt.

The Ohio Department of Commerce Small Government Fire Department Service 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, 2010 AND 2009  
(Continued)**

**6. Debt (Continued)**

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Ohio Department of Commerce Small Government Loan</u>	<u>Ohio Water Development Authority Loan</u>
2011	\$7,500	\$339,842
2012	10,000	339,842
2013	10,000	339,842
2014	10,000	339,842
2015	10,000	339,842
2016-2020	5,000	1,699,210
2021-2025		1,699,210
2026-2027		679,513
Total	<u>\$52,500</u>	<u>\$5,777,143</u>

**7. Retirement Systems**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**8. Risk Management**

Prior to 2009, the Village belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Risk Management (Continued)**

- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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, 2010 and 2009.



# Dave Yost • 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 Members of Council:

We have audited the financial statements of the Village of Hicksville, Defiance County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 7, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002 and 2010-003 described in the accompanying schedule of findings to be material weaknesses.

### **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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 7, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

December 7, 2011

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2010-001**

**Noncompliance Citation**

Ohio Water Development Authority (OWDA) Loan Agreement 4373 § 4.3 (a) states the Village shall prescribe and charge such rates, after meeting (1) operation and maintenance expenses therefore, and, (2) if required by the Director pursuant to Ohio Revised Code Section 6111.036, a contribution to the Village's capital improvement fund and, (3) the payment of all amounts required by any mortgage, indenture of mortgage, trust indenture or other instrument heretofore or hereafter, granted by the Village, or contractual obligations between the Village and the State, payable solely from pledged revenues, as shall result in revenues at least adequate, to provide for the payments required by Section 4.1 hereof minus the amount of such payment provided from other dedicated repayment sources, if any.

In 2010 and 2009 the Village's Sewer Operating Fund had a net operating income of \$260,956 and \$182,936, which was not adequate to pay the debt payments of \$339,842 and \$331,286, respectively. The Village was able to pay the debt payments since they had a carryover balance each year., however in future years this may result in an inability to make debt payments.

We recommend the Village review their utility rates and operating expenses and take appropriate actions to eliminate future deficits in the sewer operating fund which could result in sanction being imposed on the Village by OWDA.

**FINDING NUMBER 2010-002**

**Noncompliance Citation/Material Weakness**

**Ohio Revised Code, § 5705.41(D)(1)**, states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and order for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful.

**FINDING NUMBER 2010-002  
(Continued)**

This does not eliminate any otherwise applicable requirement for approval of expenditures by the Council.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village had \$92,608 in outstanding purchase commitments at December 31, 2009 which were not certified at year end. The accompanying financial statements and budgetary presentation footnote has been adjusted to reflect these amounts as outstanding encumbrances at year end in the Capital Projects Fund

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Clerk-Treasurer and Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Clerk-Treasurer, and recorded against appropriations.

**FINDING NUMBER 2010-003**

**Material Weakness – Monitoring of Financial Statements**

Accurate financial reporting is the responsibility of the Clerk-Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

We noted material posting discrepancies, such as the following:

- In 2010, revolving loan monies totaling \$229,486 in the Revolving Loan Fund were reported as miscellaneous receipts instead of as a separate line item as revolving loan receipts.
- In 2010, Community Development Block Grant (CDBG) receipts amounting to \$15,000 were improperly recorded as miscellaneous receipts instead of as intergovernmental receipts in the Capital Projects Fund.
- In 2010, cable franchise monies receipts totaling \$22,786 in the Cable TV Franchise Fund were reported as miscellaneous receipts instead of as a separate line item as franchise fees.

The Village's financial statements and accounting records have been adjusted to reflect these and ten other discrepancies.



**FINDING NUMBER 2010-003  
(Continued)**

To ensure the financial statements and notes to the statements are complete and accurate, the Village

Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Clerk-Treasurer and Finance Committee to identify and correct errors and omissions.

**Officials' Response:**

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

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**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

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>
2008-001	Finding for Recovery for overpayment to vendor	Yes	
2008-002	OWDA Loan Agreement 4373 § 4.3 (a) Insufficient revenue to pay debt.	No	Not Corrected. Repeated as Finding 2010-001 in this report.
2008-003	Monitoring of financial statements	No	Not Corrected. Repeated as Finding 2010-003 in this report.

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# Dave Yost • 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  
DECEMBER 22, 2011