



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 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.

Mary Taylor

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Auditor of State

September 30, 2009

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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 the Village of Hicksville, Defiance County, (the Village) as of and for the years ended December 31, 2008 and 2007. 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, 2008 and 2007 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, 2008 and 2007, 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 of the Village of Hicksville, Defiance County, as of December 31, 2008 and 2007, 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 September 30, 2009, 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

September 30, 2009

**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, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$1,134,935	\$170,800		\$1,305,735
Intergovernmental	199,281	232,196	\$49,243	480,720
Special Assessments			27,591	27,591
Charges for Services	94,515	38,136		132,651
Fines, Licenses and Permits	51,091	2,254		53,345
Earnings on Investments	232,773	3,211		235,984
Farm Lease		7,183		7,183
Revolving Loan		150,148		150,148
Miscellaneous	35,693	35,368		71,061
	<u>1,748,288</u>	<u>639,296</u>	<u>76,834</u>	<u>2,464,418</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	707,835	153,380		861,215
Public Health Services	25,900			25,900
Leisure Time Activities	106,591			106,591
Community Environment	12,332	17,113		29,445
Basic Utility Service		14,738		14,738
Transportation		229,426		229,426
General Government	345,613			345,613
Debt Service	24,956			24,956
Capital Outlay	134,173	120,831	526,684	781,688
	<u>1,357,400</u>	<u>535,488</u>	<u>526,684</u>	<u>2,419,572</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>390,888</u>	<u>103,808</u>	<u>(449,850)</u>	<u>44,846</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt			40,120	40,120
Transfers-In		60,000	449,553	509,553
Transfers-Out	(509,553)			(509,553)
Other Financing Sources		2,080		2,080
Other Financing Uses	(4,139)	(70,183)		(74,322)
	<u>(513,692)</u>	<u>(8,103)</u>	<u>489,673</u>	<u>(32,122)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(122,804)	95,705	39,823	12,724
Fund Cash Balances, January 1	<u>1,141,838</u>	<u>622,647</u>	<u>1,377,362</u>	<u>3,141,847</u>
Fund Cash Balances, December 31	<u><u>\$1,019,034</u></u>	<u><u>\$718,352</u></u>	<u><u>\$1,417,185</u></u>	<u><u>\$3,154,571</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, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,121,996		\$1,121,996
Miscellaneous	11,457		11,457
Total Operating Cash Receipts	<u>1,133,453</u>		<u>1,133,453</u>
Operating Cash Disbursements:			
Personal Services	406,813		406,813
Transportation	1,752		1,752
Contractual Services	303,296		303,296
Supplies and Materials	58,798		58,798
Total Operating Cash Disbursements	<u>770,659</u>		<u>770,659</u>
Operating Income	<u>362,794</u>		<u>362,794</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	14,323	\$ 19,174	33,497
Non-Operating Cash Disbursements:			
Capital Outlay	121,584		121,584
Debt Service	348,398		348,398
Other Non-Operating Cash Disbursements	14,469	13,571	28,040
Total Non-Operating Cash Disbursements	<u>484,451</u>	<u>13,571</u>	<u>498,022</u>
Excess of Receipts Over/(Under) Disbursements	(107,334)	5,603	(101,731)
Fund Cash Balances, January 1	<u>1,468,067</u>	<u>1,607</u>	<u>1,469,674</u>
Fund Cash Balances, December 31	<u><u>\$1,360,733</u></u>	<u><u>\$7,210</u></u>	<u><u>\$1,367,943</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 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>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$1,089,550	\$74,605		\$1,164,155
Intergovernmental	199,715	186,054	\$90,356	476,125
Special Assessments			53,117	53,117
Charges for Services	82,030	36,426		118,456
Fines, Licenses and Permits	47,185	2,386		49,571
Earnings on Investments	208,133	8,288	1,936	218,357
Farm Lease		6,458		6,458
Revolving Loan		355,501		355,501
Miscellaneous	45,898	36,681	140	82,719
	<u>1,672,511</u>	<u>706,399</u>	<u>145,549</u>	<u>2,524,459</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	654,882	142,221		797,103
Public Health Services	21,179			21,179
Leisure Time Activities	108,000			108,000
Community Environment	6,947	21,319		28,266
Basic Utility Service		11,246		11,246
Transportation		213,585		213,585
General Government	322,391			322,391
Debt Service	43,904			43,904
Capital Outlay	35,667	115,111	1,412,110	1,562,888
	<u>1,192,970</u>	<u>503,482</u>	<u>1,412,110</u>	<u>3,108,562</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>479,541</u>	<u>202,917</u>	<u>(1,266,561)</u>	<u>(584,103)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt			227,136	227,136
Transfers-In		60,000	431,356	491,356
Transfers-Out	(491,356)			(491,356)
Other Financing Uses	(7,576)	(458,280)		(465,856)
	<u>(498,932)</u>	<u>(398,280)</u>	<u>658,492</u>	<u>(238,720)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(19,391)	(195,363)	(608,069)	(822,823)
Fund Cash Balances, January 1	1,161,229	818,010	1,985,431	3,964,670
Fund Cash Balances, December 31	<u><u>\$1,141,838</u></u>	<u><u>\$622,647</u></u>	<u><u>\$1,377,362</u></u>	<u><u>\$3,141,847</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, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,024,733		\$1,024,733
Miscellaneous	14,108		14,108
	<u>1,038,841</u>		<u>1,038,841</u>
Operating Cash Disbursements:			
Personal Services	382,267		382,267
Transportation	2,279		2,279
Contractual Services	277,841		277,841
Supplies and Materials	75,808		75,808
	<u>738,195</u>		<u>738,195</u>
Operating Income	<u>300,646</u>		<u>300,646</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	11,675	\$ 15,389	27,064
Non-Operating Cash Disbursements:			
Capital Outlay	6,319		6,319
Other Non-Operating Cash Disbursements	16,470	15,623	32,093
	<u>22,789</u>	<u>15,623</u>	<u>38,412</u>
Excess of Receipts Over/(Under) Disbursements	289,532	(234)	289,298
Fund Cash Balances, January 1	<u>1,178,535</u>	<u>1,841</u>	<u>1,180,376</u>
Fund Cash Balances, December 31	<u>\$1,468,067</u>	<u>\$1,607</u>	<u>\$1,469,674</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, 2008 AND 2007**

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. 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 at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(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.

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 funds:

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.

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 funds accounts for the activity of the Mayor's Court and the Fire Damage Claims. The Mayor's

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Court fund receives fines, bonds, and costs assessed by the Court and disburse these amounts to the State, the Village, or the payee. The Fire Damage Claims 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

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 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.

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

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

at December 31 was as follows:

	2008	2007
Cash on Hand	\$630	\$630
Demand deposits	153,665	247,609
Certificates of deposit	1,255,753	1,972,781
Total cash on hand and deposits	1,410,048	2,221,020
U.S. Agency Securities	2,393,876	2,375,753
STAR Ohio	718,590	14,748
Total investments	3,112,466	2,390,501
Total cash on hand, deposits, and investments	\$4,522,514	\$4,611,521

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 at cost. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,695,390	\$1,748,288	\$52,898
Special Revenue	684,078	701,376	17,298
Capital Projects	566,507	566,507	
Enterprise	1,135,504	1,147,776	12,272
Total	\$4,081,479	\$4,163,947	\$82,468

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,611,149	\$1,871,092	\$740,057
Special Revenue	1,175,611	605,671	569,940
Capital Projects	976,147	526,684	449,463
Enterprise	1,799,201	1,255,110	544,091
Total	\$6,562,108	\$4,258,557	\$2,303,551

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,663,550	\$1,672,511	\$8,961
Special Revenue	765,763	766,399	636
Capital Projects	804,041	804,041	
Enterprise	1,050,516	1,050,516	
Total	\$4,283,870	\$4,293,467	\$9,597

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,477,121	\$1,691,902	\$785,219
Special Revenue	1,174,913	961,762	213,151
Capital Projects	1,520,049	1,412,110	107,939
Enterprise	1,325,014	760,984	564,030
Total	\$6,497,097	\$4,826,758	\$1,670,339

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.

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.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$6,324,522	0.20%
Ohio Department of Commerce Small Government Fire Department Services Loan	75,000	
Total	\$6,399,522	

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. The expansion project has been completed but the loan has not been officially closed and a final amortization schedule is unavailable. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Contrary to 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.

Amortization of the above debt follows:

Year ending December 31:	Ohio Department of Commerce Small Government Loan
2009	\$10,000
2010	10,000
2011	10,000
2012	10,000
2013	10,000
2014-2016	25,000
Total	\$75,000

7. Retirement Systems

The Village's 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.

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 10% of full-time police members' wages. The Village contributed an amount equal to 24% of police participants' gross wages. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. Risk Management

Risk Pool Membership

The Village 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 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:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members' Equity	\$5,184,333	\$6,862,902

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

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, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 30, 2009, 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 consider finding 2008-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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 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. We believe the significant deficiency described above, 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 30, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

September 30, 2009

**VILLAGE OF HICKSVILLE
DEFIANCE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Finding for Recovery Repaid Under Audit

The Village Council approved a contract with L.R. Babcock Plumbing and Heating for \$78,344. The Administrator entered into a contract for \$78,344 and approved change orders totaling \$6,818.47 for a total cost of \$85,162.47. The Village issued six payments to L.R. Babcock Plumbing and Heating totaling \$88,574.44. This resulted in an overpayment of \$3,411.97 to L.R. Babcock Plumbing and Heating as shown below:

Contract Amount	\$ 78,344.00
Change Order #1	3,605.00
Change Order #2	448.00
Change Order #3	1,510.47
Change Order #4	643.00
Change Order #5	612.00
Final Contract Amount	85,162.47
August 3, 2007 Payment	11,408.00
September 5, 2007 Payment	27,714.00
November 2, 2007 Payment	10,088.45
November 2, 2007 Payment	31,958.00
November 30, 2007 Payment	587.52
February 4, 2008 Payment	6,818.47
Total Payments	88,574.44
Overpayment of Contract	<u>\$ (3,411.97)</u>

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 L.R. Babcock Plumbing and Heating in the amount of \$3,411.97, and in favor of the Village of Hicksville's Capital Projects Fund.

L.R. Babcock Plumbing and Heating repaid the Village the total amount on August 6, 2009.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2008-002

Material 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.

The Village's Sewer Operating Fund had a net operating income of \$277,437 in 2008, which was not adequate to pay the debt payment of \$348,398. The Village was able to pay the debt payment in 2008 since they had a carryover balance from prior years, 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.

Officials' Response:

The Village is steadily increasing the utility rates every year.

FINDING NUMBER 2008-003

Material Weakness

Monitoring 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.

The 2008 and 2007 financial statements contained material errors, such as the following:

- In 2007, the grant from the Ohio Public Works Commission for \$68,473 was reported as other sources when it should have been reported as intergovernmental revenue in the capital projects fund.
- The loan from the Ohio Water Development Authority for \$181,967 in 2007 and \$40,120 in 2008 was reported as intergovernmental revenue when it should have been reported as debt proceeds in the capital projects fund.
- In 2007, proceeds of debt in the capital projects fund for \$45,169 was misclassified as transfers-in.

The 2008 and 2007 financial statements and accounting records have been adjusted to reflect these and other corrections.

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:

It is the opinion of the Clerk-Treasurer that it is unreasonable to expect the finance committee to find mistakes of the Clerk-Treasurer.

VILLAGE OF HICKSVILLE
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Material weakness regarding monitoring of financial statements.	No	Finding was not corrected and is repeated in this report as item 2008-003.



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
OCTOBER 15, 2009