



Dave Yost • Auditor of State



VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Hicksville, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Hicksville, Defiance County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Village of Hicksville adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 30, 2013

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$87,375	\$79,146		\$166,521
Municipal Income Tax	1,003,180			1,003,180
Intergovernmental	168,443	191,676	\$204,367	564,486
Special Assessments			48,556	48,556
Charges for Services	19,947	142,575		162,522
Revolving Loan Receipts		183,138		183,138
Fines, Licenses and Permits	21,966	2,842		24,808
Earnings on Investments	31,667	3,323		34,990
Franchise Fee		27,186		27,186
Farm Lease Receipts		7,161		7,161
Miscellaneous	31,113	2,396		33,509
Donations	3	4,050		4,053
<i>Total Cash Receipts</i>	<u>1,363,694</u>	<u>643,493</u>	<u>252,923</u>	<u>2,260,110</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	473,937	196,667		670,604
Public Health Services	25,000			25,000
Leisure Time Activities	77,251			77,251
Community Environment		17,052		17,052
Building and Zoning	11,192			11,192
Basic Utility Services		17,034		17,034
Transportation		152,265		152,265
General Government	383,526		59,315	442,841
Capital Outlay	68,386	65,189	462,652	596,227
Debt Service:				
Principal Retirement		12,500		12,500
<i>Total Cash Disbursements</i>	<u>1,039,292</u>	<u>460,707</u>	<u>521,967</u>	<u>2,021,966</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>324,402</u>	<u>182,786</u>	<u>(269,044)</u>	<u>238,144</u>
<b>Other Financing Receipts (Disbursements)</b>				
Revolving Loan Payments		(854,802)		(854,802)
Transfers In		40,000	400,000	440,000
Transfers Out	(440,000)			(440,000)
Other Financing Sources	(20,044)	(10,654)		(30,698)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(460,044)</u>	<u>(825,456)</u>	<u>400,000</u>	<u>(885,500)</u>
<i>Net Change in Fund Cash Balances</i>	(135,642)	(642,670)	130,956	(647,356)
<i>Fund Cash Balances, January 1</i>	<u>1,672,830</u>	<u>1,326,539</u>	<u>833,677</u>	<u>3,833,046</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		683,869	40,474	724,343
Assigned	480,676		924,159	1,404,835
Unassigned	1,056,512			1,056,512
<i>Fund Cash Balances, December 31</i>	<u>\$1,537,188</u>	<u>\$683,869</u>	<u>\$964,633</u>	<u>\$3,185,690</u>

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

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$1,873,938		\$1,873,938
Miscellaneous	8,806		8,806
<i>Total Operating Cash Receipts</i>	<u>1,882,744</u>		<u>1,882,744</u>
<b>Operating Cash Disbursements</b>			
Personal Services	284,010		284,010
Employee Fringe Benefits	117,390		117,390
Contractual Services	331,909		331,909
Supplies and Materials	54,612		54,612
<i>Total Operating Cash Disbursements</i>	<u>787,921</u>		<u>787,921</u>
<i>Operating Income</i>	<u>1,094,823</u>		<u>1,094,823</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	2,309		2,309
Capital Outlay	(292,636)		(292,636)
Principal Retirement	(339,842)		(339,842)
Other Financing Sources	11,600	\$11,527	23,127
Other Financing Uses	(12,272)	(11,656)	(23,928)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(630,841)</u>	<u>(129)</u>	<u>(630,970)</u>
<i>Net Change in Fund Balances</i>	463,982	(129)	463,853
<i>Fund Cash Balances, January 1</i>	<u>1,686,160</u>	<u>1,017</u>	<u>1,687,177</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,150,142</u></u>	<u><u>\$888</u></u>	<u><u>\$2,151,030</u></u>

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



**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$103,595	\$90,128		\$193,723
Municipal Income Tax	931,733			931,733
Intergovernmental	206,560	192,846		399,406
Special Assessments			\$23,204	23,204
Charges for Services	21,230	165,533		186,763
Revolving Loan Receipts		140,965		140,965
Fines, Licenses and Permits	22,387	711		23,098
Earnings on Investments	48,366	2,695		51,061
Franchise Fee		29,830		29,830
Farm Lease Receipts		7,679		7,679
Miscellaneous	20,588	4,785		25,373
Donations	2,125	6,670		8,795
<i>Total Cash Receipts</i>	<u>1,356,584</u>	<u>641,842</u>	<u>23,204</u>	<u>2,021,630</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	454,751	212,818		667,569
Public Health Services	25,000			25,000
Leisure Time Activities	77,159			77,159
Community Environment		12,000		12,000
Basic Utility Services	729	12,812		13,541
Transportation		117,916		117,916
General Government	342,368		56,070	398,438
Capital Outlay	7,417	75,241	383,089	465,747
Debt Service:				
Principal Retirement		7,500		7,500
<i>Total Cash Disbursements</i>	<u>907,424</u>	<u>438,287</u>	<u>439,159</u>	<u>1,784,870</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>449,160</u>	<u>203,555</u>	<u>(415,955)</u>	<u>236,760</u>
<b>Other Financing Receipts (Disbursements)</b>				
Revolving Loan Payments		(78,795)		(78,795)
Transfers In		40,000		40,000
Transfers Out	(40,000)			(40,000)
Other Financing Sources	1,125			1,125
Other Financing Uses	(31,123)	(16,487)		(47,610)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(69,998)</u>	<u>(55,282)</u>		<u>(125,280)</u>
<i>Net Change in Fund Cash Balances</i>	379,162	148,273	(415,955)	111,480
<i>Fund Cash Balances, January 1</i>	<u>1,293,668</u>	<u>1,178,266</u>	<u>1,249,632</u>	<u>3,721,566</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		1,326,539	51,233	1,377,772
Assigned	273,381		782,444	1,055,825
Unassigned	1,399,449			1,399,449
<i>Fund Cash Balances, December 31</i>	<u>\$1,672,830</u>	<u>\$1,326,539</u>	<u>\$833,677</u>	<u>\$3,833,046</u>

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

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$1,494,815		\$1,494,815
Miscellaneous	8,758		8,758
<i>Total Operating Cash Receipts</i>	<u>1,503,573</u>		<u>1,503,573</u>
<b>Operating Cash Disbursements</b>			
Personal Services	296,589		296,589
Employee Fringe Benefits	117,885		117,885
Contractual Services	278,293		278,293
Supplies and Materials	59,525		59,525
<i>Total Operating Cash Disbursements</i>	<u>752,292</u>		<u>752,292</u>
<i>Operating Income</i>	<u>751,281</u>		<u>751,281</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(111,050)		(111,050)
Principal Retirement	(339,842)		(339,842)
Other Financing Sources	14,524	\$12,598	27,122
Other Financing Uses	(11,915)	(12,573)	(24,488)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(448,283)</u>	<u>25</u>	<u>(448,258)</u>
<i>Net Change in Fund Cash Balances</i>	302,998	25	303,023
<i>Fund Cash Balances, January 1</i>	<u>1,383,162</u>	<u>992</u>	<u>1,384,154</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,686,160</u></u>	<u><u>\$1,017</u></u>	<u><u>\$1,687,177</u></u>

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

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village provides water and sewer utilities, park operations, police services, fire protection services and emergency medical services.

The Village participates in the Ohio Plan Risk Management, Inc. Note 9 to the financial statements provide additional information for this entity.

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, 2012.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

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 – EMS Fund – This fund receives fire and EMS levy tax money for fire and EMS protection.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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 Fund:

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**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 2012 and 2011 budgetary activity appears in Note 4.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. 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. Change in Accounting Principle**

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

**3. 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:

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

	2012	2011
Demand deposits	\$192,091	\$139,008
Cash on hand	630	630
Total deposits	192,721	139,638
U.S. Government and Agency securities	2,814,223	2,800,999
STAR Ohio	20,249	20,234
Repurchase agreement	2,309,527	2,559,352
Total deposits, cash on hand and investments	5,143,999	5,380,585
Total deposits, cash on hand and investments	\$5,336,720	\$5,520,223

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** The U.S. Government and Agency are held in book-entry form by the counterparty's trust or agent, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,328,200	\$1,363,694	\$35,494
Special Revenue	665,545	683,493	17,948
Capital Projects	718,742	652,923	(65,819)
Enterprise	2,010,100	1,896,653	(113,447)
Total	\$4,722,587	\$4,596,763	(\$125,824)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,675,510	\$1,499,336	\$176,174
Special Revenue	1,569,400	1,326,163	243,237
Capital Projects	914,159	521,967	392,192
Enterprise	2,660,656	1,432,671	1,227,985
Total	\$6,819,725	\$4,780,137	\$2,039,588

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,257,000	\$1,357,709	\$100,709
Special Revenue	603,740	681,842	78,102
Capital Projects	23,000	23,204	204
Enterprise	1,514,800	1,518,097	3,297
Total	<u>\$3,398,540</u>	<u>\$3,580,852</u>	<u>\$182,312</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,154,278	\$978,547	\$175,731
Special Revenue	1,060,051	533,569	526,482
Capital Projects	717,314	439,159	278,155
Enterprise	1,833,876	1,305,911	527,965
Total	<u>\$4,765,519</u>	<u>\$3,257,186</u>	<u>\$1,508,333</u>

**5. 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.

**6. 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, 2012 AND 2011  
(Continued)**

**7. Debt**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$5,019,451	0.20%
Ohio Department of Commerce Small Government Fire Department Services Loan	32,500	0.00%
Total	\$5,051,951	

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 \$6,659,433 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$169,921, 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.

The Ohio Department of Commerce Small Government Fire Department Services Loan relates to the construction of a new fire station used to house the Village's 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, including interest, is scheduled as follows:

	OWDA Loan	Ohio Department of Commerce Small Government Fire Department Services Loan
Year ending December 31:		
2013	\$339,842	\$7,500
2014	339,842	10,000
2015	339,842	10,000
2016	339,842	5,000
2017	339,842	
2018-2022	1,699,209	
2023-2027	1,699,039	
Total	\$5,097,458	\$32,500

**8. 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.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011 the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011 OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31,

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

2012.

**9. Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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, 2012 and

	<b>2012</b>	<b>2011</b>
Assets	<u>\$13,100,381</u>	<u>\$12,501,280</u>
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Hicksville, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011 the related notes to the financial statements and have issued our report thereon dated October 30, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and wherein the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

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***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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 30, 2013

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Noncompliance/Material Weakness:**

**Ohio Revised Code § 5705.41(D)** provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that 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, each of 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"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts 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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by 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 – Council 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 may, but need not, be limited to a specific vendor. 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.

Nineteen percent of the transactions tested were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Also, The Village had \$90,812 in outstanding purchase commitments at December 31, 2011 which were not certified at year end. The accompanying budgetary presentation footnote has been adjusted to reflect these amounts as outstanding encumbrances at year end in the Enterprise Funds.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the funds are or will be available prior to obligation by the Council. When prior certification is not possible, "then and now" certification should be used.

We recommend the Clerk-Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

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

**FINDING NUMBER 2012-002**

**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.

We noted material posting discrepancies, such as the following:

- In 2012, \$65,819 in Ohio Public Works Commission (OPWC) grant receipts and disbursements were incorrectly double-booked in the Infrastructure Fund as they had also been reported in the Capital Projects Fund. Similarly, \$50,000 in OPWC grant receipts and disbursements were incorrectly double-booked in the Water Operating Fund as they had also been reported in the Infrastructure Fund.
- In 2012, fire contract revenue amounting to \$30,095 in the Fire/EMS Fund was reported as a separate line item instead of as charges for services for consistency in reporting between years.
- In 2012 and 2011, unassigned fund balance was overstated and assigned fund balance was understated in the General Fund by \$480,676 and \$273,381, respectively.

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

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:**

The OPWC grant receipts: This action was taken in lieu of going through the process of getting an advance from another fund since the bills came before the grant monies came. Fire contract revenue amounting to \$30,095 in the Fire/EMS Fund was reported on a separate line.

**VILLAGE OF HICKSVILLE  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

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>
2010-001	Ohio Water Development Authority (OWDA) Loan Agreement 4373 § 4.3 (a): Insufficient revenue to pay debt.	Yes	
2010-002	Ohio Revised Code §5705.41(D): Material uncertified outstanding purchase commitments existed at December 31, 2009.	No	Not corrected and reissued as Finding 2012-001 in this report.
2010-003	Material Weakness regarding monitoring of financial statements.	No	Not corrected and reissued as Finding 2012-002 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  
NOVEMBER 12, 2013**