



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF KIRKERSVILLE
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2001	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund and Agency Fund For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2000	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund and Agency Fund For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	18

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Kirkersville
Licking County
P.O. Box 211
Kirkersville, OH 43033-0211

To the Village Council:

We have audited the accompanying financial statements of the Village of Kirkersville, Licking County, Ohio (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

JIM PETRO
Auditor of State

August 30, 2002

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$30,252	\$0	\$30,252
Intergovernmental Receipts	43,751	14,343	58,094
Charges for Services	1,095	0	1,095
Fines, Licenses, and Permits	66,097	0	66,097
Earnings on Investments	6,964	191	7,155
Miscellaneous (Interest, Contribution, Other)	7,461	0	7,461
	<u>155,620</u>	<u>14,534</u>	<u>170,154</u>
Total Cash Receipts			
	<u>155,620</u>	<u>14,534</u>	<u>170,154</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	58,056	0	58,056
Public Health Services	1,037	0	1,037
Community Environment	1,398	0	1,398
Transportation	0	7,384	7,384
General Government	53,721	0	53,721
Debt Service:			
Principal Payments	12,327	0	12,327
Interest Payments	6,143	0	6,143
Capital Outlay	141,533	0	141,533
	<u>274,215</u>	<u>7,384</u>	<u>281,599</u>
Total Cash Disbursements			
	<u>274,215</u>	<u>7,384</u>	<u>281,599</u>
Total Receipts Over/(Under) Disbursements	(118,595)	7,150	(111,445)
Fund Cash Balances, January 1	<u>274,572</u>	<u>6,164</u>	<u>280,736</u>
Fund Cash Balances, December 31	<u>\$155,977</u>	<u>\$13,314</u>	<u>\$169,291</u>

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

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ENTERPRISE FUND AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$173,588	\$0	\$173,588
Total Operating Cash Receipts	<u>173,588</u>	<u>0</u>	<u>173,588</u>
Operating Cash Disbursements:			
Personal Services	4,136	0	4,136
Contractual Services	95,837	0	95,837
Supplies and Materials	870	0	870
Total Operating Cash Disbursements	<u>100,843</u>	<u>0</u>	<u>100,843</u>
Operating Income/(Loss)	<u>72,745</u>	<u>0</u>	<u>72,745</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	71,134	71,134
Total Non-Operating Cash Receipts	<u>0</u>	<u>71,134</u>	<u>71,134</u>
Non-Operating Cash Disbursements:			
Debt Service	54,849	0	54,849
Other Non-Operating Cash Disbursements	0	74,445	74,445
Total Non-Operating Cash Disbursements	<u>54,849</u>	<u>74,445</u>	<u>129,294</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	17,896	(3,311)	14,585
Fund Cash Balances, January 1	<u>131,629</u>	<u>7,549</u>	<u>139,178</u>
Fund Cash Balances, December 31	<u>\$149,525</u>	<u>\$4,238</u>	<u>\$153,763</u>

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

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$36,453	\$0	\$36,453
Intergovernmental Receipts	37,602	14,220	51,822
Charges for Services	1,165	0	1,165
Fines, Licenses, and Permits	52,356	0	52,356
Miscellaneous (Interest, Contribution, Other)	13,179	16	13,195
	<u>140,755</u>	<u>14,236</u>	<u>154,991</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	57,945	0	57,945
Public Health Services	1,026	0	1,026
Community Environment	1,688	0	1,688
Transportation	0	24,465	24,465
General Government	67,292	0	67,292
Debt Service:			
Principal Payments	7,534	0	7,534
Capital Outlay	0	10,000	10,000
	<u>135,485</u>	<u>34,465</u>	<u>169,950</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>5,270</u>	<u>(20,229)</u>	<u>(14,959)</u>
Other Financing Receipts and (Disbursements):			
Sale of Bonds or Notes	80,000	0	80,000
Transfers-In	0	16,875	16,875
Transfers-Out	(16,875)	0	(16,875)
	<u>63,125</u>	<u>16,875</u>	<u>80,000</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	68,395	(3,354)	65,041
Fund Cash Balances, January 1	<u>206,177</u>	<u>9,518</u>	<u>215,695</u>
Fund Cash Balances, December 31	<u>\$274,572</u>	<u>\$6,164</u>	<u>\$280,736</u>

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

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ENTERPRISE FUND AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$196,144	\$0	\$196,144
Total Operating Cash Receipts	196,144	0	196,144
Operating Cash Disbursements:			
Personal Services	4,022	0	4,022
Contractual Services	98,686	0	98,686
Supplies and Materials	1,639	0	1,639
Total Operating Cash Disbursements	104,347	0	104,347
Operating Income/(Loss)	91,797	0	91,797
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	62,693	62,693
Total Non-Operating Cash Receipts	0	62,693	62,693
Non-Operating Cash Disbursements:			
Debt Service	54,849	0	54,849
Other Non-Operating Cash Disbursements	0	57,654	57,654
Total Non-Operating Cash Disbursements	54,849	57,654	112,503
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	36,948	5,039	41,987
Fund Cash Balances, January 1	94,681	2,510	97,191
Fund Cash Balances, December 31	<u>\$131,629</u>	<u>\$7,549</u>	<u>\$139,178</u>

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

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kirkersville, Licking County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, road and bridge maintenance, sewer utilities, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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 KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

3. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund – This fund receives money from citations issued by the Village's Police Department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and the State.

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 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$260,107	\$359,907
Certificates of deposit	37,623	35,691
Total deposits	297,730	395,598
STAR Ohio	25,324	24,316
Total investments	25,324	24,316
Total deposits and investments	\$323,054	\$419,914

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: 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 ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$162,022	\$155,620	(\$6,402)
Special Revenue	13,525	14,534	1,009
Enterprise	169,000	173,588	4,588
Total	\$344,547	\$343,742	(\$805)

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$281,855	\$274,215	\$7,640
Special Revenue	17,950	7,384	10,566
Enterprise	160,140	155,692	4,448
Total	<u>\$459,945</u>	<u>\$437,291</u>	<u>\$22,654</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,900	\$220,755	\$93,855
Special Revenue	14,050	31,111	17,061
Enterprise	105,000	196,144	91,144
Total	<u>\$245,950</u>	<u>\$448,010</u>	<u>\$202,060</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$157,598	\$152,360	\$5,238
Special Revenue	31,955	34,465	(2,510)
Enterprise	124,640	159,196	(34,556)
Total	<u>\$314,193</u>	<u>\$346,021</u>	<u>(\$31,828)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Street Fund by \$2,710, in the Highway Fund by \$2,511, and in the Sewer Fund by \$34,556 for the year ended December 31, 2000. Also contrary to Ohio law, appropriation authority exceeded the estimated resources in the Street Fund by \$9,394 for the year ended December 31, 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1657	\$167,812	7.54%
Ohio Water Development Authority Loan #1658	103,300	6.75%
Ohio Water Development Authority Loan #3069	146,308	6.02%
Farmers Home Administration Loan	98,242	4.50%
General Obligation Notes	74,120	6.10%
Total	<u>\$589,782</u>	

The Ohio Water Development Authority (OWDA) and Farmers Home Administration (FHA) loaned the Village monies to construct the sewer plant serving the Village populous. The OWDA loans will be repaid in semiannual installments of \$9,058, \$5,286, and \$6,992, respectively, including interest, over 20 years. The FHA loan will be paid in semiannual installments of \$6,087, including interest, over 30 years. These loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and FHA debt service requirements.

The General Obligation Notes will be paid in annual installments of \$10,936, including interest, over 10 years. The General Obligation Notes are collateralized by the Village's taxing authority.

The Village leased (with option to buy) a police cruiser in May 2000 at an interest rate of 8.10%. Total obligation as of December 31 for this lease amounts to \$6,969 plus interest.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending	<u>OWDA Loan #1657</u>	<u>OWDA Loan #1658</u>	<u>OWDA Loan #5034</u>	<u>FHA Loan</u>	<u>General Obligation Notes</u>	<u>Capital Lease</u>
December 31:						
2002	\$18,116	\$10,573	\$13,984	\$12,175	\$10,936	\$7,534
2003	18,116	10,573	13,984	12,175	10,936	0
2004	18,116	10,573	13,984	12,175	10,936	0
2005	18,116	10,573	13,984	12,175	10,936	0
2006	18,116	10,573	13,984	12,175	10,936	0
2007-2011	90,582	52,867	69,921	60,875	43,743	0
2012-2016	90,582	52,867	69,921	12,175	0	0
2017-2021	27,175	15,860	27,969	0	0	0
Total	<u>\$298,919</u>	<u>\$174,459</u>	<u>\$237,731</u>	<u>\$133,925</u>	<u>\$98,423</u>	<u>\$7,534</u>

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Kirkersville
Licking County
P.O. Box 211
Kirkersville, Ohio 43033-0211

To the Village Council:

We have audited the accompanying financial statements of the Village of Kirkersville, Licking County (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated August 30, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30645-001 through 2001-30645-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 30, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-30645-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 30, 2002.

This report is intended solely for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

August 30, 2002

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

Finding for Recovery

FINDING NUMBER 2001-30645-001

The Village employed Robert Frye as Chief of Police and as a Street Department employee during 2001 and 2000. During the pay periods ended August 19, 2000 and November 25, 2000, Mr. Frye was paid for the same day and same time from both the police and street departments. Mr. Frye completed time sheets for both departments for each pay period and was paid for the hours indicated on the time card. The time cards indicate the following hours worked:

Day and Date on Time Card	Police		Street	
	Hours Worked	Number of Hours	Hours Worked	Number of Hours
Tuesday, August 8, 2000	10:00 AM to 6:00 PM	8	10:00 AM 6:00 PM	8
Friday, November 17, 2000	10:00 AM to 9:00 PM	11	10:00 AM 5:00 PM	7

Mr. Frye was paid by both the police and street departments for eight hours on August 8, 2000, and for seven hours on November 17, 2000.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued against Robert Frye, and against Janet Fishbaugh, Clerk/Treasurer, jointly and severally, for public money illegally expended in the amount of \$120, and in favor of the Village of Kirkersville.

Material Noncompliance

FINDING NUMBER 2001-30645-002

Ohio Rev. Code Section 5705.41(D) states in part that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance.

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that sufficient sum was appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

Thirty-three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were 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 funds being over expended or exceeding budgetary spending limitations, we recommend that all Village disbursements receive prior certification of the fiscal officer that the funds are or will be available. When prior certification is not possible, then and now certification should be utilized.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

Material Noncompliance (Continued)

FINDING NUMBER 2001-30645-003

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

The following instances were noted in which the Village's expenditures exceeded the approved appropriations at the legal level of control:

Year	Fund/Object	Appropriations	Expenditures	Variance
2001	General Fund:			
	Salaries-Police	\$25,000	\$25,663	(\$ 663)
	Benefits-Police	3,100	3,787	(687)
	Contractual Services-Police	9,000	9,232	(232)
	Capital Outlay-Police	7,400	10,729	(3,329)
	Contractual Services-Street Lights	3,650	3,752	(102)
	Contractual Services-Mayor	10,000	10,170	(170)
	Salaries-Mayor's Court	3,900	5,108	(1,208)
	Benefits-Mayor's Court	540	743	(203)
	Contractual Services-Clerk/Treasurer	1,000	1,198	(198)
	Salaries-Solicitor	0	3,313	(3,313)
Benefits-Solicitor	0	500	(500)	
2000	General Fund:			
	Contractual Services-Police	10,000	10,990	(990)
	Supplies/Materials-Police	9,500	11,000	(1,500)
	Contractual Services-Zoning	1,500	1,655	(155)
	Contractual Services-Mayor's Court	10,050	10,209	(159)
	Capital Outlay-Clerk/Treasurer	1,500	1,952	(452)
	Transfers	15,000	16,875	(1,875)
2000	Street Fund:			
	Salaries	3,000	4,116	(1,116)
	Contractual Services	3,500	6,617	(3,117)
	Supplies/Materials	2,500	3,061	(561)
	Storm Supplies/Materials	500	668	(168)
2000	Sewer Fund:			
	Contractual Services	65,000	98,686	(33,686)
	Supplies/Materials	500	1,638	(1,138)
	Debt Retirement	16,000	18,399	(2,399)

Expenditures also exceeded appropriations in total for the Street Fund and the Sewer Fund in 2000.

The Clerk-Treasurer should deny payment requests exceeding appropriations. The Clerk-Treasurer should request Council to approve increased expenditure levels by increasing appropriations and if necessary amending estimated resources. The Village may also wish to aggregate certain appropriation accounts in their appropriation resolution to provide more flexibility and judgment to the Clerk-Treasurer in approving commitments.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

Material Noncompliance (Continued)

FINDING NUMBER 2001-30645-004

Ohio Rev. Code Section 5705.39 states in part that total appropriations from each fund should not exceed the total estimated revenue.

In 2000, appropriations exceeded estimated resources in the Street Fund by \$9,394.

We recommend the Village Council review Estimated Resources when approving or amending appropriations.

Reportable Condition

FINDING NUMBER 2001-30645-005

PAYROLL

The following internal control weaknesses were noted:

- Pay rates are not approved by Council by Ordinance. Current pay rates were approved by various motions passed by Council.
- Policies and Procedures over payroll activity have not been established by Council. Informal policies and procedures have not been clearly communicated to all employees.
- Timecards are not completed by all employees. Timecards that are completed are not approved by a supervisor. Timecards submitted did not consistently contain the dates, hours worked, or number of hours and, in some cases, did not recalculate correctly. The electronic timecard machine was not utilized.

Failure to establish a favorable control environment over payroll could result in overpayments or unauthorized payments occurring without timely detection by management.

We recommend the Village approve an annual ordinance establishing the pay rates in effect for each year for all positions, as well as any restrictions on those positions, such as a limit to the number of hours worked each pay period. Any changes occurring during the year, i.e. increases in rates or new positions, should be authorized by ordinance. The Council should develop policies and procedures over payroll activity, including the information which is required to process the payroll, such as date and day of week worked, hours, and number of hours worked. These policies and procedures should be communicated to and acknowledged by all employees. In addition, the electronic timecard machine should be utilized and timecards should be completed by all hourly employees and reviewed/signed by the employee's supervisor for accuracy and reasonableness.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30645-001	ORC 5705.41(D): Failure to certify funds	No	Partially Corrected; Then and Now language is used for warrants under \$1,000; Purchase Orders are issued for all items over \$1,000, however, the PO date is not prior to date obligation occurs.
1999-30645-002	ORC 5705.39: Appropriations exceeding estimated resources	No	Not Corrected
1999-30645-003	ORC 5705.41(B): Expenditures exceeding appropriations	No	Not Corrected



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OFFICE OF THE AUDITOR

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VILLAGE OF KIRKERSVILLE

LICKING 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, 2002**