

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2005 and 2004

JOHNNY ADKINS, FISCAL OFFICER



**Auditor of State
Betty Montgomery**

Village Council
Village of Kirkersville
220 E. Main St.
Kirkersville, OH 43033

We have reviewed the *Independent Auditor's Report* of the Village of Kirkersville, Licking County, prepared by Julian and Grube, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Kirkersville is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

June 29, 2006

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**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditors' Report

Members of Council and Mayor
Village of Kirkersville
135 N. 4th Street
P.O. Box 211
Kirkersville, OH 43033-0211

We have audited the accompanying financial statements of the Village of Kirkersville, Licking County, Ohio, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village of Kirkersville'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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Kirkersville 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 regular accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Kirkersville to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village of Kirkersville does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Kirkersville has elected not to reformat its statements. Since the Village of Kirkersville does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Kirkersville as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Independent Auditors' Report
Village of Kirkersville
Page Two

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Kirkersville, Licking County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

The aforementioned revision to generally accepted accounting principles also requires the Village of Kirkersville to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 May 16, 2006, on our consideration of the Village of Kirkersville internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 16, 2006

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2005 AND 2004

<u>Cash and Cash Equivalents</u>	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 373,378	\$ 498,738
Total Cash and Cash Equivalents	<u>\$ 373,378</u>	<u>\$ 498,738</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 193,410	\$ 295,224
Special Revenue	<u>53,419</u>	<u>47,257</u>
Total Governmental Funds	<u>246,829</u>	<u>342,481</u>
 <u>Proprietary Fund Type:</u>		
Enterprise	<u>126,549</u>	<u>156,257</u>
 Total Fund Balances	 <u>\$ 373,378</u>	 <u>\$ 498,738</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 32,332	\$ -	\$ 32,332
Intergovernmental	40,394	20,158	60,552
Fines, licenses, and permits	84,611	5,271	89,882
Interest	5,510	24	5,534
Miscellaneous	1,657	-	1,657
Total cash receipts	<u>164,504</u>	<u>25,453</u>	<u>189,957</u>
Cash disbursements:			
Current:			
Security of persons and property	46,939	-	46,939
Public health services	2,725	-	2,725
Community environment	4,922	-	4,922
Transportation	-	14,559	14,559
General government	90,796	8,035	98,831
Capital outlay	-	106,697	106,697
Debt service			
Principal retirement	7,666	-	7,666
Interest and fiscal charges	3,270	-	3,270
Total cash disbursements	<u>156,318</u>	<u>129,291</u>	<u>285,609</u>
Total cash receipts over/(under) cash disbursements	<u>8,186</u>	<u>(103,838)</u>	<u>(95,652)</u>
Other financing receipts/(disbursements):			
Operating transfers in	-	110,000	110,000
Operating transfers out	(110,000)	-	(110,000)
Total other financing receipts/(disbursements)	<u>(110,000)</u>	<u>110,000</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(101,814)	6,162	(95,652)
Cash fund balances, January 1, 2005	<u>295,224</u>	<u>47,257</u>	<u>342,481</u>
Cash fund balances, December 31, 2005	<u>\$ 193,410</u>	<u>\$ 53,419</u>	<u>\$ 246,829</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Cash for services	\$ 109,975	\$ -	\$ 109,975
Total operating cash receipts	<u>109,975</u>	<u>-</u>	<u>202,634</u>
Operating cash disbursements:			
Personal services	3,648	-	3,648
Contractual services	91,488	-	91,488
Supplies and materials	6,714	-	6,714
Total operating cash disbursements	<u>101,850</u>	<u>-</u>	<u>101,850</u>
Operating income	<u>8,125</u>	<u>-</u>	<u>8,125</u>
Nonoperating cash receipts(disbursements)			
Special assessments	16,205	-	16,205
Fines and fees	-	92,659	92,659
Fines and disbursements	-	(92,659)	(92,659)
Debt service			
Principal	(25,191)	-	(25,191)
Interest	(28,847)	-	(28,847)
Total nonoperating cash receipts(disbursements)	<u>(37,833)</u>	<u>-</u>	<u>(37,833)</u>
Excess of cash receipts under disbursements	<u>(29,708)</u>	<u>-</u>	<u>(29,708)</u>
Cash fund balances, January 1, 2005	<u>156,257</u>	<u>-</u>	<u>156,257</u>
Cash fund balances, December 31, 2005	<u>\$ 126,549</u>	<u>\$ -</u>	<u>\$ 126,549</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 294,189	\$ 18,732	\$ 312,921	\$ 164,504	\$ 145,772	\$ 1,423	\$ 401,656	\$ 403,079	\$ 266,318	\$ 3,637	\$ 269,955	\$ 133,124
Special Revenue	47,309	128,412	175,721	135,453	7,041	39	155,060	155,099	129,291	1,277	130,568	24,531
Proprietary:												
Enterprise	157,307	115,000	272,307	126,180	11,180	65	210,325	210,390	155,888	2,010	157,898	52,492
Total (Memorandum Only)	\$ 498,805	\$ 262,144	\$ 760,949	\$ 426,137	\$ 163,993	\$ 1,527	\$ 767,041	\$ 768,568	\$ 551,497	\$ 6,924	\$ 558,421	\$ 210,147

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 33,976	\$ -	\$ 33,976
Intergovernmental	40,414	37,816	78,230
Fines, licenses, and permits	150,152	14,111	164,263
Interest	2,873	40	2,913
Miscellaneous	2,585	32	2,617
Total cash receipts	<u>230,000</u>	<u>51,999</u>	<u>281,999</u>
Cash disbursements:			
Current:			
Security of persons and property	60,334	-	60,334
Public health services	4,017	-	4,017
Community environment	1,385	-	1,385
Transportation	-	33,237	33,237
General government	113,778	5,979	119,757
Capital outlay	28,373	41,308	69,681
Debt service			
Principal retirement	7,774	-	7,774
Interest and fiscal charges	3,162	-	3,162
Total cash disbursements	<u>218,823</u>	<u>80,524</u>	<u>299,347</u>
Total cash receipts over/(under) cash disbursements	<u>11,177</u>	<u>(28,525)</u>	<u>(17,348)</u>
Other financing receipts/(disbursements):			
Operating transfers in	-	44,802	44,802
Operating transfers out	(44,802)	-	(44,802)
Extraordinary item	224,230	-	224,230
Total other financing receipts/(disbursements)	<u>179,428</u>	<u>44,802</u>	<u>224,230</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	190,605	16,277	206,882
Cash fund balances, January 1, 2004	<u>104,619</u>	<u>30,980</u>	<u>135,599</u>
Cash fund balances, December 31, 2004	<u>\$ 295,224</u>	<u>\$ 47,257</u>	<u>\$ 342,481</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Cash for services	\$ 103,585	\$ -	\$ 103,585
Total operating cash receipts	<u>103,585</u>	<u>-</u>	<u>103,585</u>
Operating cash disbursements:			
Personal services	5,525	-	5,525
Contractual services	97,758	-	97,758
Supplies and materials	1,878	-	1,878
Total operating cash disbursements	<u>105,161</u>	<u>-</u>	<u>105,161</u>
Operating loss	<u>(1,576)</u>	<u>-</u>	<u>(1,576)</u>
Nonoperating cash receipts/(disbursements)			
Special assessments	15,544	-	15,544
Fines and fees	-	192,583	192,583
Fines and disbursements	-	(198,915)	(198,915)
Debt service			
Principal	(23,655)	-	(23,655)
Interest	(30,349)	-	(30,349)
Total nonoperating cash receipts/(disbursements)	<u>(38,460)</u>	<u>(6,332)</u>	<u>(44,792)</u>
Excess of cash receipts under disbursements	<u>(40,036)</u>	<u>(6,332)</u>	<u>(46,368)</u>
Cash fund balances, January 1, 2004	<u>196,293</u>	<u>6,332</u>	<u>202,625</u>
Cash fund balances, December 31, 2004	<u>\$ 156,257</u>	<u>\$ -</u>	<u>\$ 156,257</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 103,754	\$ 421,194	\$ 524,948	\$ 454,230	\$ 33,036	\$ -	\$ 298,894	\$ 298,894	\$ 263,625	\$ 1,423	\$ 265,048	\$ 33,846
Special Revenue	45,351	75,827	121,178	96,801	20,974	-	96,010	96,010	80,524	39	80,563	15,447
Proprietary:												
Enterprise	196,219	116,084	312,303	119,129	3,045	-	210,325	210,325	159,165	65	159,230	51,095
Total (Memorandum Only)	\$ 345,324	\$ 613,105	\$ 958,429	\$ 670,160	\$ 57,055	\$ -	\$ 605,229	\$ 605,229	\$ 503,314	\$ 1,527	\$ 504,841	\$ 100,388

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Kirkersville, Licking County, Ohio (the "Village"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: police protection, street maintenance and repair, sewer utilities, mayor's court, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Enterprise Funds

These funds account 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 enterprise fund:

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

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 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.

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.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except Agency funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village adopted supplemental appropriations during 2005 and 2004.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2005 and 2004.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$5,534 and \$2,913 for the years ended December 31, 2005 and 2004, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE

The following fund had appropriations in excess of estimated resources for the year ended December 31, 2005, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
General Fund	\$ 401,656	\$ 312,921	\$ 88,735

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 4 - CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	2005	2004
Demand deposits	\$ 346,247	\$ 472,336
Investments in STAR Ohio	27,131	26,402
Total Deposits and Investments	\$ 373,378	\$ 498,738

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 endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio is valued at amounts reported by the State Treasurer. Investments are reported as assets. Accordingly, purchase of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements respectively.

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2005 and 2004, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2005</u>	<u>Balance at December 31, 2004</u>
2001 General Obligation Note for purchase of town hall due in annual installments through 2010 bearing an interest rate of 6.10%.	\$ 45,940	\$ 53,606
1993 Ohio Water Development Authority (OWDA) loan for construction of certain wastewater improvements, due in semi-annual installments of varying amounts through 2019 at a rate of 6.75%.	87,370	91,751
1993 Ohio Water Development Authority (OWDA) Sewer Plant Expansion Loan, due in semiannual installments through 2019 at a rate of 6.02%.	123,658	129,826
1992 United States Department of Agriculture (USDA) Sewer Plant Expansion Loan, due in semiannual installments through 2012 at a rate of 5.75%.	69,354	77,201
1991 Ohio Water Development Authority (OWDA) loan for construction of certain wastewater treatment improvements due in semiannual installments through 2019 at a rate of 7.54%	<u>143,361</u>	<u>150,156</u>
Total debt obligations at December 31,	<u>\$ 469,683</u>	<u>\$ 502,540</u>

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2005 and 2004 are summarized as follows:

<u>Description</u>	<u>Balance at December 31, 2004</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2005</u>
<u>2005:</u>				
Loan - OWDA - #1657	\$ 150,156	\$ -	\$ (6,795)	\$ 143,361
Loan - OWDA - #1658	91,751	-	(4,381)	87,370
Loan - OWDA - #3069	129,826	-	(6,168)	123,658
Loan USDA	77,201	-	(7,847)	69,354
General Obligation Note	<u>53,606</u>	<u>-</u>	<u>(7,666)</u>	<u>45,940</u>
Total	<u>\$ 502,540</u>	<u>\$ -</u>	<u>\$ (32,857)</u>	<u>\$ 469,683</u>

<u>Description</u>	<u>Balance at December 31, 2003</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2004</u>
<u>2004:</u>				
Loan - OWDA - #1657	\$ 156,474	\$ -	\$ (6,318)	\$ 150,156
Loan - OWDA - #1658	95,855	-	(4,104)	91,751
Loan - OWDA - #3069	135,644	-	(5,818)	129,826
Loan USDA	84,616	-	(7,415)	77,201
General Obligation Note	<u>61,380</u>	<u>-</u>	<u>(7,774)</u>	<u>53,606</u>
Total	<u>\$ 533,969</u>	<u>\$ -</u>	<u>\$ (31,429)</u>	<u>\$ 502,540</u>

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2005, are as follows:

Year Ending December 31	Loan - OWDA - #1657		Loan - OWDA - #1658		Loan - OWDA - #3069	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 3,520	\$ 5,537	\$ 2,262	\$ 3,025	\$ 3,270	\$ 3,722
2007	7,572	10,544	4,828	5,746	6,737	3,897
2008	8,144	9,972	5,154	5,420	7,143	6,841
2009	8,758	9,358	5,502	5,072	7,573	6,411
2010	9,418	8,698	5,873	4,700	8,029	5,956
2011 - 2015	58,874	31,706	35,880	16,990	48,000	21,921
2016 - 2019	47,075	7,277	27,871	3,844	42,906	6,041
Total	<u>\$ 143,361</u>	<u>\$ 83,092</u>	<u>\$ 87,370</u>	<u>\$ 44,797</u>	<u>\$ 123,658</u>	<u>\$ 54,789</u>

Year Ending December 31	General Obligation Note		Loan - USDA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 8,122	\$ 2,799	\$ 8,306	\$ 3,870	\$ 25,480	\$ 18,953
2007	8,618	2,303	8,790	3,386	36,545	25,876
2008	9,144	1,777	9,303	2,873	38,888	26,883
2009	9,701	1,220	9,846	2,330	41,380	24,391
2010	10,355	628	10,420	1,756	44,095	21,738
2011 - 2015	-	-	22,689	1,653	165,443	72,270
2016 - 2019	-	-	-	-	117,852	17,162
Total	<u>\$ 45,940</u>	<u>\$ 8,727</u>	<u>\$ 69,354</u>	<u>\$ 15,868</u>	<u>\$ 469,683</u>	<u>\$ 207,273</u>

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

NOTE 7 - RETIREMENT SYSTEMS

During 2005 and 2004, all employees of the Village belonged to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2005 and 2004, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2005, the Village has paid all contributions required for 2005 and 2004.

NOTE 8 - RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 coverage, 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 uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded). The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 9 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the years ended December 31, 2005 and 2004:

<u>2005</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Fund Type/Fund</u>		
General Fund	\$ -	\$ 110,000
 <u>Special Revenue Fund:</u>		
Street Construction, Maintenance & Repair	110,000	-
 Total	 <u>\$ 110,000</u>	 <u>\$ 110,000</u>
 <u>2004</u>		
<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 44,802
 <u>Special Revenue Fund:</u>		
Street Construction, Maintenance & Repair	44,802	-
 Total	 <u>\$ 44,802</u>	 <u>\$ 44,802</u>

NOTE 10 - EXTRAORDINARY ITEM

The Village of Kirkersville, Division of Police, lawfully seized a forfeiture of funds in the amount of \$224,230 on May 9, 2004 from a traffic violation that occurred within the limits of the Village. Pursuant to Ohio Revised Code 2933.41, the Common Pleas Court of Licking County, Ohio declared the monies lawfully seized and said funds shall be disposed of or converted to the use of the Village of Kirkersville in accordance with the Ohio Revised Code. This amount has been shown as an extraordinary item under other financing receipts on the 2005 combined statement of cash receipts, cash disbursements and changes in cash fund balances – all governmental fund types.

NOTE 11 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation.



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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Members of Council and Mayor
Village of Kirkersville
135 N. 4th Street
P.O. Box 211
Kirkersville, Ohio 43033-0211

We have audited the financial statements of the Village of Kirkersville, Licking County, Ohio as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 16, 2006 wherein we noted that the Village of Kirkersville 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Kirkersville'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 an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Kirkersville in a separate letter dated May 16, 2006.

Members of Council and Mayor
Village of Kirkersville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Kirkersville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-VOK-001. We also noted certain immaterial instances of noncompliance or other matters that we have reported to the management of the Village of Kirkersville in a separate letter dated May 16, 2006.

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



Julian & Grube, Inc.
May 16, 2006

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO
DECEMBER 31, 2005 AND 2004**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2005-VOK-001

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that in the year ended December 31, 2005 the total appropriations exceeded the total estimated resources as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
General Fund	\$ 401,656	\$ 312,921	\$ 88,735

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Village's depository or in the process of collection that were certified to the County Auditor. This may result in a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

Client Response: The Village Fiscal Officer is attempting to monitor more closely appropriations versus estimated resources and will request additional amended certificates from the County Auditor when necessary.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO
DECEMBER 31, 2005 AND 2004**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-VOK-001	Ohio Revised Code Section 5705.41 (B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A
2003-VOK-002	Ohio Revised Code Section 5705.39 requires that no fund should have appropriations in excess of estimated resources.	No	Finding repeated as 2005-VOK-001
2003-VOK-003	Ohio Revised Code Section 5705.41 (D) requires that no funds should be expended unless appropriately certified by Clerk/Treasurer.	Yes	N/A



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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
JULY 13, 2006**