

Village of Kirkersville
Licking County
Regular Audit
For the Years Ended December 31, 2007 and 2006
Fiscal Years Audited Under GAGAS: 2007 and 2006

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Mary Taylor, CPA

Auditor of State

Village Council
Village of Kirkersville
P.O. Box 211
Kirkersville, Ohio 43033

We have reviewed the *Independent Auditor's Report* of the Village of Kirkersville, Licking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 25, 2008

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LICKING COUNTY
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Independent Auditor's Report

Village Council
Village of Kirkersville
Licking County
PO Box 211
Kirkersville, Ohio 43033

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, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standard*. 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 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting its larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Kirkersville, Licking County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on this 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.



Balestra, Harr & Scherer, CPAs, Inc.

June 13, 2008

**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, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	39,643	\$ -	\$ 39,643
Intergovernmental	38,540	22,268	60,808
Charges for Services	850	-	850
Fines, Licenses, and Permits	43,597	4,663	48,260
Earnings on Investments	13,853	1,083	14,936
Miscellaneous	4,335	-	4,335
	<u>140,818</u>	<u>28,014</u>	<u>168,832</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	48,050	-	48,050
Public Health Service	3,222	-	3,222
Community Environment	4,861	-	4,861
Transportation	-	11,207	11,207
General Government	93,740	955	94,695
Debt Service:			
Redemption of Principal	8,614	-	8,614
Interest and Fiscal Charges	2,322	-	2,322
	<u>160,809</u>	<u>12,162</u>	<u>172,971</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	(19,991)	15,852	(4,139)
Fund Cash Balances, January 1	<u>156,029</u>	<u>59,569</u>	<u>215,598</u>
Fund Cash Balances, December 31	<u>\$ 136,038</u>	<u>\$ 75,421</u>	<u>\$ 211,459</u>
Reserve for Encumbrances, December 31	<u>\$ 2,666</u>	<u>\$ 368</u>	<u>\$ 3,034</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
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 121,853	\$ -	\$ 121,853
Total Operating Cash Receipts	121,853	-	121,853
Operating Cash Disbursements:			
Personal services	3,686	-	3,686
Contractual services	85,382	-	85,382
Supplies and Materials	1,921	-	1,921
Total Operating Cash Disbursements	90,989	-	90,989
Operating Loss	30,864	-	30,864
Non-Operating Cash Receipts/(Disbursements):			
Special Assessments	11,533	-	11,533
Fines and Fees	-	55,274	55,274
Fines and disbursements	-	(57,012)	(57,012)
Principal	(28,572)	-	(28,572)
Interest	(25,542)	-	(25,542)
Total Non-Operating Cash Receipts/(Disbursements)	(42,581)	(1,738)	(44,319)
Net Cash Receipts (Under) Cash Disbursements	(11,717)	(1,738)	(13,455)
Fund Cash Balances, January 1	<u>144,003</u>	<u>1,771</u>	<u>145,774</u>
Fund Cash Balances, December 31	<u>\$ 132,286</u>	<u>\$ 33</u>	<u>\$ 132,319</u>
Reserve for Encumbrances, December 31	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 4,500</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, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 38,325	\$ -	\$ 38,325
Intergovernmental	39,883	23,039	62,922
Fines, Licenses, and Permits	39,153	3,844	42,997
Earnings on Investments	12,580	1,006	13,586
Miscellaneous	1,638	-	1,638
	<u>131,579</u>	<u>27,889</u>	<u>159,468</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	53,105	-	53,105
Public Health Service	937	-	937
Community Environment	2,586	-	2,586
Transportation	-	13,398	13,398
General Government	101,396	3,881	105,277
Capital Outlay	-	4,460	4,460
Debt Service:			
Redemption of Principal	8,119	-	8,119
Interest and Fiscal Charges	2,817	-	2,817
	<u>168,960</u>	<u>21,739</u>	<u>190,699</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	(37,381)	6,150	(31,231)
Fund Cash Balances, January 1	<u>193,410</u>	<u>53,419</u>	<u>246,829</u>
Fund Cash Balances, December 31	<u>\$ 156,029</u>	<u>\$ 59,569</u>	<u>\$ 215,598</u>
Reserve for Encumbrances, December 31	<u>\$ 921</u>	<u>\$ 20</u>	<u>\$ 941</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
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 155,497	\$ -	\$ 155,497
Total Operating Cash Receipts	155,497	-	155,497
Operating Cash Disbursements:			
Personal services	3,514	-	3,514
Contractual services	93,141	-	93,141
Supplies and Materials	4,367	-	4,367
Total Operating Cash Disbursements	101,022	-	101,022
Operating Income	54,475	-	54,475
Non-Operating Cash Receipts:			
Special Assessments	17,054	-	17,054
Fines and fees	-	50,049	50,049
Fines and Disbursements	-	(48,278)	(48,278)
Principal	(26,831)	-	(26,831)
Interest	(27,244)	-	(27,244)
Total Non-Operating Cash Receipts/(Disbursements)	(37,021)	1,771	(35,250)
Net Cash Receipts Over Cash Disbursements	17,454	1,771	19,225
Fund Cash Balances, January 1	<u>126,549</u>	<u>-</u>	<u>126,549</u>
Fund Cash Balances, December 31	<u>\$ 144,003</u>	<u>\$ 1,771</u>	<u>\$ 145,774</u>
Reserve for Encumbrances, December 31	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 86</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of the Entity

The Village of Kirkersville, Licking County, Ohio (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, police services, sewer utilities, and mayor’s court.

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

B. 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. The Village had the following significant special revenue fund:

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

PROPRIETARY FUNDS

Enterprise Fund

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

B. BASIS OF PRESENTATION – FUND ACCOUNTING (CONT'D)

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 agency 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.

C. 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 on material matters, as prescribed or permitted by the Auditor of State.

D. 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 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.

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 projective receipts of each fund. On or about January 1, the certificate is amended to include unencumbered 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

D. BUDGETARY PROCESS (Cont'd)

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. The Village did not adopt supplemental appropriations during 2007 and 2006.

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, 2007 and 2006.

E. 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 \$14,936 and \$13,586 for the years ended December 31, 2007 and 2006, respectively.

F. 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.

G. 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.

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.

Village of Kirkersville
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 2 – 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:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 313,719	\$ 332,914
Investments in STAR Ohio	30,059	28,458
Total Deposits and Investment	\$ 343,778	\$ 361,372

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 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 were as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 129,600	\$140,818	\$11,218
Special Revenue	23,300	28,014	4,714
Enterprise	170,000	133,386	(36,614)
Total	\$322,900	\$302,218	(\$20,682)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$284,791	\$163,475	\$121,316
Special Revenue	44,550	12,530	32,020
Enterprise	186,211	149,603	36,608
Total	\$515,552	\$325,608	\$189,944

Village of Kirkersville
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 3 – BUDGETARY ACTIVITY (COND'T)

2006 Budgeted vs. Actual Reports

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,712	\$131,579	(\$52,133)
Special Revenue	23,710	27,889	4,179
Enterprise	108,665	172,551	63,886
Total	\$316,087	\$332,019	\$15,932

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$283,491	169,881	\$113,610
Special Revenue	44,410	21,759	22,651
Enterprise	186,125	155,183	30,942
Total	\$514,026	\$346,823	\$167,203

NOTE 4 – 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 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 taxes, billing, collecting, and distributing all property taxes on behalf of the Village.

NOTE 6 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2007 was as follows:

	Year Issued	Interest Rate	12/31/07 Balance
General Obligation Note	2001	6.10%	\$ 29,207
Ohio Water Development Authority	1993	6.75%	77,703
Ohio Water Development Authority	1993	6.02%	110,184
Ohio Water Development Authority	1991	7.54%	128,193
United States Department of Agriculture	1992	5.75%	52,260
Total			\$ 397,547

Village of Kirkersville
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 6 – DEBT OBLIGATIONS (COND'T)

Descriptions:

2001 General Obligation Note for purchase of town hall due in annual installments through 2010.

1993 Ohio Water Development Authority (OWDA) loan for construction of certain wastewater improvements, due in semi-annual installments of varying amounts through 2019.

1993 Ohio Water Development Authority (OWDA) Sewer Plant Expansion loan due in semiannual installments through 2019.

1991 Ohio Water Development Authority (OWDA) loan for construction of certain wastewater treatment improvements, due in semiannual installments through 2019.

1992 United States Department of Agriculture (USDA) Sewer Plant Expansion Loan, due in semiannual installments through 2012.

Amortization of the above debt, including interest, follows:

Year Ending December 31	OWDA Loans		USDA Loan		General Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 20,823	\$ 22,233	\$ 9,303	\$ 2,873	\$ 10,921	\$ 1,777
2009	22,239	20,841	9,846	2,330	10,921	1,219
2010	23,753	19,354	10,420	1,756	7,365	628
2011	25,308	17,658	10,514	1,653	-	-
2012	27,065	15,901	12,177	-	-	-
2013-2017	163,825	48,601	-	-	-	-
2018-2019	33,067	2,500	-	-	-	-
	<u>\$ 316,080</u>	<u>\$ 147,088</u>	<u>\$ 52,260</u>	<u>\$ 8,612</u>	<u>\$ 29,207</u>	<u>\$ 3,624</u>

NOTE 7 – RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

NOTE 8 – RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments (“Members”).

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsure the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan. Settled amounts did not exceed insurance coverage for the past three years.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available).

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	(3,329,620)	(2,748,639)
Members’ Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

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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*

Village Council
Village of Kirkersville
Licking County
PO Box 211
Kirkersville, Ohio 43033

We have audited the financial statements of the Village of Kirkersville, Licking County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 13, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting. This item is identified in the accompanying schedule of findings as item 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 13, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management a separate letter dated June 13, 2008.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did audit the Village's response and, accordingly, we express no opinion on it.

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



Balestra, Harr & Scherer, CPAs, Inc.

June 13, 2008

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Significant Deficiency

The Village had reclassifications and adjustments that were identified during the course of the audit. These errors and omissions were not prevented or detected by the Village's internal controls over financial reporting.

The accompanying financial statements were adjusted to reflect correction of this misstatement. The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported in accordance with the accounting basis the Village follows.

Client Response:

The correction action has been taken on 6/30/08.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY
DECEMBER 31, 2007 AND 2006**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-VOK-001	ORC 5705.39 Appropriation exceeding estimated resources.	Yes	



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 4, 2008**