

VILLAGE OF KILLBUCK

AUDIT REPORT

JANUARY 1, 2007 - DECEMBER 31, 2008

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Killbuck
138 South Main Street
Killbuck, Ohio 44637

We have reviewed the *Independent Auditors' Report* of the Village of Killbuck, Holmes County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 Auditors' 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 Auditors' 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 Killbuck is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 15, 2009

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**VILLAGE OF KILLBUCK
HOLMES COUNTY
JANUARY 1, 2007 - DECEMBER 31, 2008**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types For the Year Ended December 31, 2008	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types For the Year Ended December 31, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Balances - All Proprietary Fund Types For the Years Ended December 31, 2008 and 2007	5
Notes to the Financial Statements	6-11
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.	12-13
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	14-15
Schedule of Findings and Questioned Costs	16
Schedule of Federal Award Expenditures	17
Notes to Schedule of Federal Award Expenditures	18

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Mayor and Village Council
Village of Killbuck
138 S. Main Street
Killbuck, Ohio 44637

We have audited the accompanying financial statements of the Village of Killbuck, Holmes County, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village of Killbuck'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 described more fully in Note 1, the Village of Killbuck 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Killbuck's combined funds as of December 31, 2008 and 2007, and their changes in financial position and cash flows, where applicable.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Killbuck, Holmes County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2008 and 2007. 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 a report dated June 5, 2009, on our consideration of the Village of Killbuck's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 5, 2009

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 55,291	\$ -	\$ -	\$ 55,291
Intergovernmental Receipts	31,375	32,354	750,000	813,729
Charges for Services	1,835	-	-	1,835
Fines, Licenses, and Permits	-	-	-	-
Earnings on Investments	7,813	411	-	8,224
Miscellaneous	24,428	-	18,520	42,948
Total Cash Receipts	<u>120,742</u>	<u>32,765</u>	<u>768,520</u>	<u>922,027</u>
Cash Disbursements:				
Current:				
Security of Persona and Property	17,797	-	-	17,797
Public Health Services	3,224	-	-	3,224
Leisure Time Activities	18,905	-	-	18,905
Basic Utility Service	8,761	-	-	8,761
Transportation	-	66,341	-	66,341
General Government	39,487	-	-	39,487
Capital Outlay	-	-	748,001	748,001
Total Cash Disbursements	<u>88,174</u>	<u>66,341</u>	<u>748,001</u>	<u>902,516</u>
Total Receipts Over/(Under) Cash Disbursements	32,568	(33,576)	20,519	19,511
Other Financing Receipts/(Disbursements)				
Transfers-In	-	-	-	-
Transfers-Out	-	-	-	-
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	32,568	(33,576)	20,519	19,511
Fund Cash Balances, January 1	<u>114,895</u>	<u>33,963</u>	<u>74,698</u>	<u>223,556</u>
Fund Cash Balances, December 31	<u>\$ 147,463</u>	<u>\$ 387</u>	<u>\$ 95,217</u>	<u>\$ 243,067</u>

See notes to financial statements.

**VILLAGE OF KILLBUCK
HOLMES 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 62,800	\$ -	\$ -	\$ 62,800
Intergovernmental Receipts	26,704	35,445	-	62,149
Charges for Services	1,535	-	-	1,535
Fines, Licenses, and Permits	30	-	-	30
Earnings on Investments	9,930	523	-	10,453
Miscellaneous	8,606	-	18,182	26,788
Total Cash Receipts	<u>109,605</u>	<u>35,968</u>	<u>18,182</u>	<u>163,755</u>
Cash Disbursements:				
Current:				
Security of Persona and Property	18,267	-	-	18,267
Public Health Services	3,196	-	-	3,196
Leisure Time Activities	13,157	-	-	13,157
Basic Utility Service	4,750	-	-	4,750
Transportation	60,444	41,585	-	102,029
General Government	39,050	-	-	39,050
Capital Outlay	-	-	-	-
Total Cash Disbursements	<u>138,864</u>	<u>41,585</u>	<u>-</u>	<u>180,449</u>
Total Receipts Over/(Under) Cash Disbursements	(29,259)	(5,617)	18,182	(16,694)
Other Financing Receipts/(Disbursements)				
Transfers-In	-	900	-	900
Transfers-Out	(900)	-	-	(900)
Total Other Financing Receipts/(Disbursements)	<u>(900)</u>	<u>900</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,159)	(4,717)	18,182	(16,694)
Fund Cash Balances, January 1	<u>145,054</u>	<u>38,680</u>	<u>56,516</u>	<u>240,250</u>
Fund Cash Balances, December 31	<u>\$ 114,895</u>	<u>\$ 33,963</u>	<u>\$ 74,698</u>	<u>\$ 223,556</u>

See notes to financial statements.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
	<u>Enterprise</u>	<u>Enterprise</u>
Operating Cash Receipts:		
Charges for Services	\$ 335,981	\$ 341,124
Miscellaneous	3,878	-
Total Operating Cash Receipts	<u>339,859</u>	<u>341,124</u>
Operating Cash Disbursements:		
Personal Services	122,476	112,272
Travel Transportation	565	1,179
Contractual Services	123,869	105,169
Supplies and Materials	67,818	33,672
Capital Outlay	<u>399,035</u>	<u>36,800</u>
Total Operating Cash Disbursements	<u>713,763</u>	<u>289,092</u>
Operating Income	(373,904)	52,032
Non-Operating Cash Receipts (Disbursements):		
Debt Proceeds	406,488	-
Debt Service:		
Principal	(81,423)	(60,756)
Interest	<u>(19,009)</u>	<u>(22,308)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>306,056</u>	<u>(83,064)</u>
Income Before Interfund Transfers	(67,848)	(31,032)
Transfers-In	-	-
Net Income (Loss)	(67,848)	(31,032)
Fund Cash Balances, January 1	<u>235,431</u>	<u>266,463</u>
Fund Cash Balances, December 31	<u><u>\$ 167,583</u></u>	<u><u>\$ 235,431</u></u>

See notes to financial statements.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Killbuck, Holmes 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 water and sewer utilities, park operations, and police services. The Village has contracted with the Holmes County Sheriff's department to provide security of persons and property.

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

The Village maintains cash in an interest bearing checking account and a Money Market account. Certificates of Deposit are shown at cost.

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:

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.

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 Funds:

Street Construction, Maintenance and Repair Fund – This fund is used to account for gasoline tax monies for constructing, maintaining and repairing Village streets.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Capital Projects Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following Capital Projects Fund.

CIC Loan Fund – This fund is used to account for the activity related to capital improvements loans the Village offers to local businesses.

CDBG Fund – This fund receives CDBG monies used for capital projects

ARC Fund – This fund receives ARC monies used for capital projects

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 significant Enterprise Funds:

Water Fund – This fund is used to account for charges for services from residents to cover the cost of providing water services.

Sewer Fund – This fund is used to account for charges for services from residents to cover the cost of providing sewer services.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

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 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2008	2007
Demand deposits	\$ (663)	\$ (23,475)
Certificates of Deposits	200,000	200,000
Money Market	211,313	282,462
Total Deposits	\$ 410,650	\$ 458,987

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

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

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,075	\$ 120,742	\$ 26,667
Special Revenue	27,550	32,765	5,215
Capital Projects	821,911	768,520	(53,391)
Enterprise	746,610	746,347	(263)
Total	\$ 1,690,146	\$ 1,668,374	\$ (21,772)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 176,900	\$ 88,174	\$ 88,726
Special Revenue	52,300	66,341	(14,041)
Capital Projects	806,911	748,001	58,910
Enterprise	973,008	814,195	158,813
Total	\$ 2,009,119	\$ 1,716,711	\$ 292,408

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 100,175	\$ 109,605	\$ 9,430
Special Revenue	27,353	36,868	9,515
Capital Projects	15,000	18,182	3,182
Enterprise	350,000	341,124	(8,876)
Total	\$ 492,528	\$ 505,779	\$ 13,251

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 201,000	\$ 139,764	\$ 61,236
Special Revenue	45,300	41,585	3,715
Capital Projects	-	-	-
Enterprise	565,943	372,156	193,787
Total	\$ 812,243	\$ 553,505	\$ 258,738

Contrary to ORC 5705.34, the resolution accepting the necessary tax levies for 2008 was after the deadline.
 Contrary to ORC 5705.36, appropriations exceeded actual receipts plus unencumbered balance for the Sewer Operating Fund for 2008 and 2007.
 Contrary to ORC 5705.39, as of December 31, 2007, the Sewer fund had appropriations greater than resources.
 Contrary to ORC 5705.41(B), the Street Fund had expenditures greater than appropriations in 2008.
 Contrary to ORC 5705.41(D), there was a few expenditures made prior to certification.

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.

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 KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest rate</u>
1988 OWDA Loan 2761/0211 HP	\$ 159,318	8.23%
1988 OWDA Loan 16541/0805 PW-NR	38,792	2.00%
1993 General Obligation Bonds	22,100	6.00%
1995 OPWC Loan	15,706	0.00%
2005 OWDA Loan 4459	103,088	0.00%
2008 OPWC CT46G	18,524	0.00%
2008 OPWC CT49K	79,532	0.00%
2008 OWDA Loan 4826	267,921	5.89%
Total	<u>\$ 704,981</u>	

The 1988 Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The remaining loan balances will be repaid in semiannual installments of \$32,976, including interest over 8 years. The loan is collateralized by water and sewer receipts. The 2005 OWDA loan is for water plant improvements, no amortization schedule is established yet and is not included in the schedule below. The 2008 OWDA and OPWC loans are for sanitary sewer plant improvements. No amortization schedules are established yet and are not included in the schedule below.

The General Obligation Bonds are for the reconstruction of a water storage tank and are being repaid in semiannual installments in accordance to the debt agreement over 9 years.

The Ohio Public Works Commission (OPWC) loan also relates to the water plan expansion and update project and is being repaid in semiannual installments over 11 years.

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

<u>Year Ended December 31</u>	<u>OWDA 2761/0211 HP</u>	<u>OWDA 1654/0805 PW-NR</u>	<u>General Obligation Bonds</u>	<u>OPWC Loan</u>
2009	\$ 54,404	\$ 11,594	\$ 5,226	\$ 2,618
2010	54,359	11,594	5,192	2,618
2011	54,358	11,594	5,246	2,618
2012	27,179	5,797	5,282	2,618
2013	-	-	5,300	2,618
2014-2018	-	-	-	2,616
Total	<u>\$ 190,300</u>	<u>\$ 40,579</u>	<u>\$ 26,246</u>	<u>\$ 15,706</u>

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS

The Village elected officials and 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 2008 and 2007, members of PERS contributed 10.0% and 9.5% of their gross salaries, respectively. The Village contributed an amount equal to 14.00% and 13.85% of participants gross salaries for 2008 and 2007, respectively. The Village has paid all employer contributions required through December 31, 2008.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance coverage to full-time employees through AultCare.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Mayor and Village Council
Village of Killbuck
138 S. Main Street
Killbuck, Ohio 44637

We have audited the financial statements of The Village of Killbuck as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 5, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Village of Killbuck'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 Villages internal control over financial reporting.

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.

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 purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated June 5, 2009.

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Killbuck's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, 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 no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*. However, We noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Killbuck in a separate letter dated June 5, 2009.

This report is intended for the information of the Mayor, Clerk, Council, Auditor of State, federal award agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 5, 2009

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Killbuck
Holmes County
138 S. Main Street
Killbuck, Ohio 44637

Compliance

We have audited the compliance of Village of Killbuck with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. Village of Killbuck's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Killbuck's management. Our responsibility is to express an opinion on the Village of Killbuck's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Killbuck's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of Killbuck's compliance with those requirements.

In our opinion, Village of Killbuck complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Village of Killbuck is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Village of Killbuck's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Killbuck's internal control over compliance.

Internal Control Over Compliance (Continued)

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 administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Federal Award Expenditures

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregated remaining fund information of Village of Killbuck as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 5, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying schedule of federal award expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the Village's management, Clerk, the Auditor of State, federal award agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 5, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505**

**VILLAGE OF KILLBUCK
DECEMBER 31, 2008**

1. AUDITOR'S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies In internal control reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	CDBG #14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

**VILLAGE OF KILLBUCK
HOLMES COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u> (Pass through Ohio Department of Development)				
Community Development Block Grant	C-W-07-209-1	14.228	<u>\$ 500,000</u>	<u>\$ 498,365</u>
Appalachian Regional commission Grant	C-P-07-209-1	23.001	<u>250,000</u>	<u>249,636</u>
Total U.S. Department of Housing and Urban Development			<u>750,000</u>	<u>748,001</u>
Total Federal Awards Expenditures			<u><u>\$ 750,000</u></u>	<u><u>\$ 748,001</u></u>

See notes to Schedule of Federal Awards Expenditures.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA
Auditor of State

VILLAGE OF KILLBUCK

HOLMES 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 28, 2009**