

VILLAGE OF KIRKERSVILLE

LICKING COUNTY, OHIO

REGULAR AUDIT

JANUARY 1, 2012 THROUGH DECEMBER 31, 2013

YEARS AUDITED UNDER GAGAS: 2013 AND 2012

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Dave Yost • Auditor of State

Village Council
Village of Kirkersville
135 North Fourth Street
Kirkersville, Ohio 43033

We have reviewed the *Independent Auditor's Report* of the Village of Kirkersville, Licking County, prepared by Gueye & Associates, CPA, for the audit period January 1, 2012 through December 31, 2013. 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.

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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 8, 2014

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VILLAGE OF KIRKERSVILLE
LICKING COUNTY, OHIO

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Independent Auditor's Report

Village of Kirkersville
Licking County
135 North Fourth St
Kirkersville, Ohio 43033

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Kirkersville (The Village), Licking County, Ohio, as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 financial audits standards contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described more fully in Note 1, the Village has prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S Generally Accepted Accounting Principles

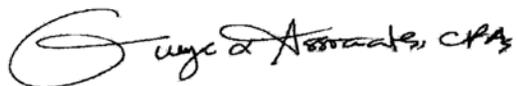
In our opinion, because of the effects of the matter discussed in the *Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or its changes in financial position, or cash flows, where applicable, for the years then ended.

Opinion of Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Kirkersville, as of the December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the result of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Gueye & Associates, CPA
Columbus, Ohio

June 30, 2014

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<u>Cash Receipts</u>			
Property and Other Taxes	\$ 41,486	\$ 16	\$ 41,502
Intergovernmental Receipts	22,735	21,827	44,562
Fines, Licenses and Permits	63,268	3,640	66,908
Earnings on Investments	16	54	70
Miscellaneous	4,764	-	4,764
Total Cash Receipts	<u>132,269</u>	<u>25,537</u>	<u>157,806</u>
<u>Cash Disbursements:</u>			
Security of Persons and Property	23,310	-	23,310
Community Environment	263	-	263
Transportation	-	12,642	12,642
General Government	103,839	1,940	105,779
Capital Outlay	-	6,157	6,157
Total Cash Disbursements	<u>127,412</u>	<u>20,739</u>	<u>148,151</u>
Total Receipts Over (Under) Disbursements	4,857	4,798	9,655
<u>Other Financing Receipts (Disbursements)</u>			
Transfers In	1,350		1,350
Transfers Out		(1,350)	(1,350)
Total Other Financing Receipts (Disbursements)	<u>1,350</u>	<u>(1,350)</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	6,207	3,448	9,655
Fund Cash Balance, January 1	<u>1,710</u>	<u>36,068</u>	<u>37,778</u>
Fund Cash Balance, December 31:			
Restricted	-	39,516	39,516
Unassigned (Deficit)	7,917	-	7,917
Fund Cash Balance December 31	<u>\$ 7,917</u>	<u>\$ 39,516</u>	<u>\$ 47,433</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total Memorandum (Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<u>Operating Cash Receipts:</u>			
Charges for Services	\$ 115,038	\$ -	\$ 115,038
Total Operating Cash Receipts	<u>115,038</u>	<u>-</u>	<u>115,038</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	4,491	-	4,491
Employee Fringe Benefits	1,135	-	1,135
Contractual Services	81,287	-	81,287
Supplies and Materials	<u>23,357</u>	<u>-</u>	<u>23,357</u>
Total Operating Cash Disbursements	<u>110,270</u>	<u>-</u>	<u>110,270</u>
Operating Income	4,768	-	4,768
<u>Non-Operating Cash Receipts (Disbursements):</u>			
Special Assessment	25,906	-	25,906
Other Non-Operating Cash Receipts	-	69,483	69,483
Redemption of Principal	(28,425)	-	(28,425)
Interest and Fiscal Charges	(13,790)	-	(13,790)
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(69,483)</u>	<u>(69,483)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>(16,309)</u>	<u>-</u>	<u>(16,309)</u>
Net Receipts over (under) Disbursements	(11,541)	-	(11,541)
Fund Cash Balance, January 1	<u>101,649</u>	<u>-</u>	<u>101,649</u>
Fund Cash Balance December 31	<u>\$ 90,108</u>	<u>\$ -</u>	<u>\$ 90,108</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 YEARS ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 41,849	\$ -	\$ 41,849
Intergovernmental Receipts	31,090	20,946	52,036
Fines, Licenses and Permits	104,208	7,192	111,400
Earnings on Investments	75	59	134
Miscellaneous	4,837	-	4,837
Total Cash Receipts	<u>182,059</u>	<u>28,197</u>	<u>210,256</u>
<u>Cash Disbursements:</u>			
Security of Persons and Property	38,058	-	38,058
Community Environment	1,290	-	1,290
Transportation	-	18,730	18,730
General Government	144,464	5,554	150,018
Capital Outlay	7,500	3,704	11,204
Total Cash Disbursements	<u>191,312</u>	<u>27,988</u>	<u>219,300</u>
 Total Receipts Over (Under) Disbursements	 (9,253)	 209	 (9,044)
 Fund Cash Balance, January 1	 <u>10,963</u>	 <u>35,859</u>	 <u>46,822</u>
 Fund Cash Balance, December 31:			
Restricted	-	36,068	36,068
Unassigned (Deficit)	1,710	-	1,710
 Fund Cash Balance December 31	 <u>\$ 1,710</u>	 <u>\$ 36,068</u>	 <u>\$ 37,778</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<u>Operating Cash Receipts:</u>			
Charges for Services	\$ 124,208	\$ -	\$ 124,208
Total Operating Cash Receipts	<u>124,208</u>	<u>-</u>	<u>124,208</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	5,305	-	5,305
Employee Fringe Benefits	960	-	960
Contractual Services	81,549	-	81,549
Supplies and Materials	21,962	-	21,962
Total Operating Cash Disbursements	<u>109,776</u>	<u>-</u>	<u>109,776</u>
Operating Income / (Loss)	14,432	-	14,432
<u>Non-Operating Cash Receipts (Disbursements):</u>			
Special Assessment	31,686	-	31,686
Non-Operating Receipts	-	122,820	122,820
Redemption of Principal	(37,615)	-	(37,615)
Interest and Fiscal Charges	(16,716)	-	(16,716)
Non-Operating Disbursements	<u>-</u>	<u>(123,779)</u>	<u>(123,779)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>(22,645)</u>	<u>(959)</u>	<u>(23,604)</u>
Net Receipts over (under) Disbursements	(8,213)	(959)	(9,172)
Fund Cash Balance, January 1	<u>109,862</u>	<u>959</u>	<u>110,821</u>
Fund Cash Balance December 31	<u>\$ 101,649</u>	<u>\$ -</u>	<u>\$ 101,649</u>

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

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kirkersville, Licking County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including sewer utilities, street construction, maintenance and repair, police services, and a Mayor's Court.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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 of three months or less from the date of purchase. Interest income earned and received by the Village totaled \$134 and \$70 in 2012 and 2013, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds account for proceeds from specific sources 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 receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

These funds account for the operations that are similar to private business enterprises, where management intends to cover the significant costs of providing certain goods and services through user charges. The Village had the following significant enterprise funds:

Sewer Operating Fund – This fund receives charges for services revenue from Village residents to cover sewer service costs.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations or other governments, which are not available to support the Village's own programs. The Village's only Fiduciary fund is the Agency Fund.

Mayor's Court Fund (Agency) - This Fund receives monies from citations issued by the Village's police department. Monies collected are distributed in accordance with the Ohio Revised Code to the Villages, other political entities and the State of Ohio.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year are carried forward and need not be re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Financial statements do not include a liability for unpaid leave.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2013	2012
Demand deposits	\$ 43,000	\$ 47,489
Money Market Deposit Accounts	94,541	91,938
Total Cash and Investments	\$ 137,541	\$ 139,427

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$178,297	\$133,619	(\$44,678)
Special Revenue	29,066	25,537	(3,529)
Enterprise	155,000	140,944	(14,056)
Total	\$362,363	\$300,100	(\$62,263)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,360	\$127,412	\$5,948
Special Revenue	44,347	22,089	22,258
Enterprise	217,921	152,485	65,436
Total	\$395,628	\$301,986	\$93,642

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,622	\$182,059	(\$1,563)
Special Revenue	27,321	28,197	876
Enterprise	150,900	155,894	4,994
Total	\$361,843	\$366,150	\$4,307

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,343	\$191,312	\$12,031
Special Revenue	44,744	27,988	16,756
Enterprise	196,276	164,107	32,169
Total	\$444,363	\$383,407	\$60,956

Contrary to the Ohio Revised Code 5705.36, the Village had appropriations in excess of available resources in 2012.

Contrary to the Ohio Revised Code 5705.39, the Village had appropriations in excess of estimated resources in 2012.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Year Issued	Interest Rate	Balance at 12/31/2013
Ohio Water Development Authority	1993	6.75%	\$43,642
Ohio Water Development Authority	1993	6.02%	63,804
Ohio Water Development Authority	1991	7.54%	73,213
Total			\$180,659

The 1993 Ohio Water Development Authority (OWDA) loan was for the construction of certain wastewater improvements. The loan is due in semi-annual installments of varying amounts through 2019 and is paid from the Sewer Fund.

The 1993 Ohio Water Development Authority (OWDA) Sewer Plant Expansion loan is due in semiannual installments through 2019, and is paid from the Sewer Fund.

The 1991 Ohio Water Development Authority (OWDA) loan was for the construction of certain wastewater treatment improvements. The loan is due in semiannual installments through 2019, and is paid from the Sewer Fund.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

5. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA	Totals
2014	42,674	42,674
2015	42,674	42,674
2016	42,674	42,674
2017	42,674	42,674
2018	42,674	42,674
2019-2023	6,992	6,992
Total	220,362	220,362
Less Interest	(39,703)	(39,703)
Principal Balance	<u>\$ 180,659</u>	<u>\$ 180,659</u>

6. RETIREMENT SYSTEMS

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 these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio Governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage’s, to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,0000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011, respectively.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

7. RISK MANAGEMENT (Continued)

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

Settlement amounts did not exceed insurance coverage for the past three years.

The Pools audited financial statements conformity with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

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

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of Council
Village of Kirkersville
135 North Fourth St
Kirkersville, Ohio 43033

We have audited in accordance with auditing standards generally accepted in the United States, and the Comptroller General of United States' *Government Auditing Standards*, the financial statements of the Village of Kirkersville, Licking County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding No. 2013-01 described in the accompanying Schedule of Findings and Responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as findings No. 2013-02 and 2013-03.

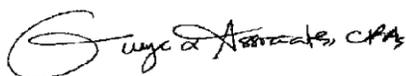
We also noted certain matters not requiring inclusion in this report and we reported to the Village's management in a separate letter dated June 30, 2014.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Village of Kirkersville responses were not subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Village's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



Gueye & Associates, CPA

Columbus, Ohio

June 30, 2014

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS and RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-01

Material Weakness: Posting of Transactions in Accounting System

Ohio Administrative Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Ohio Village Officer's Handbook (revised March 2014) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2013 and 2012, the Village did not accurately post receipts/expenditures to the Village's accounting records. The following posting errors were noted:

- Posted Mayor's Court receipts and disbursements in 2012 in the Agency Fund were understated by \$7,101.
- Principal and Interest payments in the Enterprise Fund in 2012 were misclassified by \$663.
- Mayor's Court receipts and disbursements of \$69,483 were not posted in the Agency Fund as receipts and disbursements in 2013.

The Village adjusted the accompanying financial statements to reflect all items noted in the preceding paragraphs.

We recommend the Village utilize available authoritative resources including the Village Officer's Handbook to appropriately classify receipt/expenditure transactions.

Village Response:

The Village will ensure that transactions are posted in the correct account in the future.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF FINDINGS and RESPONSES
DECEMBER 31, 2013 AND 2012**

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

Finding Number 2013-02

Non-Compliance Citation: Appropriations in Excess of Actual Resources

The Ohio Revised Code Section 5705.36 (A) (4) requires that in case actual resources are less than the currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce the estimated resources available for appropriation. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources, or amendment thereof.

Contrary to Ohio Revised Code Section 5705.36(A)(4) and Ohio Revised Code Section 5705.36(A)(5), the General Fund had appropriations in excess of available resources by \$10,321 at December 31, 2012.

The Village should implement internal controls that would ensure close monitoring of actual resources compared to appropriations for future compliance.

Official's Response:

Budgetary control procedures have been implemented to prevent any non-compliance in the future.

Finding Number 2013-03

Non-Compliance Citation: Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 states that the total appropriations for each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimated.

At December 31, 2012, the Village had appropriations in excess of estimated revenues by \$8,758 in the General Fund.

Appropriations in excess of estimated resources could result in money being spent without proper authorization and deficit spending. Each fund should be appropriated based on amounts available per the Certificate of Available Resources and the appropriations and available resources should be amended as necessary to avoid appropriating more than estimated resources.

Official's Response:

Budgetary control procedures have been implemented to prevent any non-compliance in the future.

**VILLAGE OF KIRKERSVILLE
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Posting of transactions in accounting system	Partially	Reissued as Finding # 2013-01
2011-002	Expenditures in excess of Appropriations ORC Section 5705.41(B)	Yes	N/A



Dave Yost • 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
AUGUST 21, 2014