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Certified Public Accountants, A.C.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY  
Regular Audit**

**For the Years Ended December 31, 2015 and 2014**

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- Association of Certified Anti - Money Laundering Specialists •





# 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 Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 28, 2016

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VILLAGE OF KIRKERSVILLE  
LICKING COUNTY

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## INDEPENDENT AUDITOR'S REPORT

June 10, 2016

Village of Kirkersville  
Licking County  
135 North Fourth Street  
Kirkersville, Oh 43033

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Kirkersville**, Licking County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, 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 in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.



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

As described in Note 1B of the financial statements, the Village 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance 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, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on 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, Licking County, as of December 31, 2015 and 2014, 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 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016, 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 results 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 42,025	\$ 1,638	\$ 43,663
Intergovernmental	24,232	20,459	44,691
Fines, Licenses and Permits	62,356	5,312	67,668
Earnings on Investments	4	13	17
Miscellaneous	361	-	361
	<b>128,978</b>	<b>27,422</b>	<b>156,400</b>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	33,321	-	33,321
Community Environment	1,202	-	1,202
Transportation	-	32,940	32,940
General Government	91,574	6,561	98,135
	<b>126,097</b>	<b>39,501</b>	<b>165,598</b>
<i>Net Change in Fund Cash Balances</i>	2,881	(12,079)	(9,198)
<i>Fund Cash Balances, January 1</i>	117	41,890	42,007
<b>Fund Cash Balances, December 31</b>			
Restricted	-	29,811	29,811
Unassigned	2,998	-	2,998
	<b>2,998</b>	<b>29,811</b>	<b>32,809</b>
<i>Fund Cash Balances, December 31</i>	<b>\$ 2,998</b>	<b>\$ 29,811</b>	<b>\$ 32,809</b>

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

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 118,786	\$ -	\$ 118,786
Miscellaneous	1,510	-	1,510
<i>Total Operating Cash Receipts</i>	<u>120,296</u>	<u>-</u>	<u>120,296</u>
<b>Operating Cash Disbursements</b>			
Personal Services	5,192	-	5,192
Employee Fringe Benefits	726	-	726
Contractual Services	102,860	-	102,860
Supplies and Materials	42,329	-	42,329
<i>Total Operating Cash Disbursements</i>	<u>151,107</u>	<u>-</u>	<u>151,107</u>
<i>Operating Income (Loss)</i>	<u>(30,811)</u>	<u>-</u>	<u>(30,811)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>			
Special Assessments	8,662	-	8,662
Principal Retirement	(32,442)	-	(32,442)
Interest and Fiscal Charges	(9,905)	-	(9,905)
Other Financing Sources	-	85,382	85,382
Other Financing Uses	-	(85,382)	(85,382)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(33,685)</u>	<u>-</u>	<u>(33,685)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(64,496)</u>	<u>-</u>	<u>(64,496)</u>
<i>Fund Cash Balances, January 1</i>	<u>82,191</u>	<u>-</u>	<u>82,191</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 17,695</u>	<u>\$ -</u>	<u>\$ 17,695</u>

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

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 39,886	\$ 1,021	\$ 40,907
Intergovernmental	22,257	21,549	43,806
Fines, Licenses and Permits	32,705	2,440	35,145
Earnings on Investments	9	50	59
Miscellaneous	2,605	-	2,605
	<u>97,462</u>	<u>25,060</u>	<u>122,522</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	14,806	-	14,806
Community Environment	696	-	696
Transportation	-	14,942	14,942
General Government	89,760	4,380	94,140
Capital Outlay	-	3,364	3,364
	<u>105,262</u>	<u>22,686</u>	<u>127,948</u>
<i>Total Cash Disbursements</i>			
<i>Net Change in Fund Cash Balances</i>	(7,800)	2,374	(5,426)
<i>Fund Cash Balances, January 1</i>	<u>7,917</u>	<u>39,516</u>	<u>47,433</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	41,890	41,890
Unassigned	117	-	117
	<u>117</u>	<u>41,890</u>	<u>42,007</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 117</u>	<u>\$ 41,890</u>	<u>\$ 42,007</u>

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

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 116,192	\$ -	\$ 116,192
<i>Total Operating Cash Receipts</i>	<u>116,192</u>	<u>-</u>	<u></u>
<b>Operating Cash Disbursements</b>			
Personal Services	4,568	-	4,568
Employee Fringe Benefits	1,287	-	1,287
Contractual Services	95,816	-	95,816
Supplies and Materials	15,145	-	15,145
<i>Total Operating Cash Disbursements</i>	<u>116,816</u>	<u>-</u>	<u>116,816</u>
<i>Operating Income (Loss)</i>	<u>(624)</u>	<u>-</u>	<u>(624)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>			
Special Assessments	34,986	-	34,986
Principal Retirement	(30,367)	-	(30,367)
Interest and Fiscal Charges	(11,912)	-	(11,912)
Other Financing Sources	-	36,501	36,501
Other Financing Uses	-	(36,501)	(36,501)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(7,293)</u>	<u>-</u>	<u>(7,293)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,917)</u>	<u>-</u>	<u>(7,917)</u>
<i>Fund Cash Balances, January 1</i>	<u>90,108</u>	<u>-</u>	<u>90,108</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 82,191</u>	<u>\$ -</u>	<u>\$ 82,191</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, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Kirkersville, Licking County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including sewer utilities, street construction, maintenance and repair, police services, and Mayor's Court.

The Village participates in Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM), a risk-sharing pool available to Ohio local governments.

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

**B. Accounting Basis**

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests all available funds in a checking account and a sweep account.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

**3. Enterprise Funds**

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

Sewer Operating Fund - This fund receives charges for services from 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.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The 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.

VILLAGE OF KIRKERSVILLE  
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

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 action (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.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**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.

**2. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand Deposits	\$ 50,504	\$ 124,198
Total Deposits	\$ 50,504	\$ 124,198

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 128,952	\$ 128,978	\$ 26
Special Revenue	27,301	27,422	121
Enterprise	138,032	128,958	(9,074)
Total	\$ 294,285	\$ 285,358	\$ (8,927)

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 129,069	\$ 127,083	\$ 1,986
Special Revenue	51,644	39,501	12,143
Enterprise	195,259	193,593	1,666
Total	\$ 375,972	\$ 360,177	\$ 15,795

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 158,653	\$ 97,462	\$ (61,191)
Special Revenue	24,200	25,060	860
Enterprise	141,000	151,178	10,178
Total	\$ 323,853	\$ 273,700	\$ (50,153)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 124,147	\$ 105,483	\$ 18,664
Special Revenue	55,247	22,686	32,561
Enterprise	197,864	159,156	38,708
Total	\$ 377,258	\$ 287,325	\$ 89,933

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority - 1658	\$ 27,875	6.75%
Ohio Water Development Authority - 3069	42,905	6.02%
Ohio Water Development Authority - 1657	47,073	7.54%
Total	\$ 117,850	

The Ohio Water Development Authority (OWDA) 1658 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 Ohio Water Development Authority (OWDA) 3069 Sewer Plant Expansion loan is due in semiannual installments through 2019, and is paid from the Sewer Fund.

The Ohio Water Development Authority (OWDA) 1657 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.

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

Year ending December 31:	OWDA #1658	OWDA #3069	OWDA #1657
2016	\$ 9,807	\$ 13,118	\$ 16,450
2017	10,046	13,348	16,966
2018	10,301	13,592	17,520
2019	-	6,859	-
Total	\$ 30,154	\$ 46,917	\$ 50,936

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**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 coverages 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 \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 respectively.

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 fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://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.



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

June 10, 2016

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

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Kirkersville**, Licking County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 10, 2016, 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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.



...*"bringing more to the table"*

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •  
• Association of Certified Anti - Money Laundering Specialists •



***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 10, 2016.

***Entity's Response to Findings***

The Entity's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Entity's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF KIRKERSVILLE  
LICKING COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Material Weakness**

**Mayor's Court Agency Fund**

The Village did not record the total activity for the Mayor's Court on the Village's accounting records or financial statements. The Mayor's Court activity was kept separate from the Village's accounting system, and each month a check was written to the Village for its portion of the fines and fees. Because the records are maintained separately and the Village does not have controls in place to ensure all of the Mayor's account activity is accurately reported on the Village's accounting system or financial statements, the Village's financial statements were materially misstated.

For 2015, receipts and disbursements were understated by \$85,382. For 2014, receipts and disbursements were understated by \$36,501. The Village adjusted the financial statements to accurately reflect the Mayor's Court activity.

We recommend fines and costs be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General Fund to clearly account for the portion of court receipts that legally belong to the Village. The fines and costs due to the state should also be paid from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village's accounting system. We also recommend Council review the activity to ensure accurate financial statements are completed.

**Officials Response** – The Village will post this going forward.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-01	Posting of Transactions in Accounting System	No	Partially Corrected, Repeated as Finding 2015-001
2013-02	Appropriations in Excess of Actual Resources	Yes	
2013-03	Appropriations in Excess of Estimated Resources	Yes	

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# 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 9, 2016