

VILLAGE OF KIRKERSVILLE

LICKING COUNTY, OHIO

REGULAR AUDIT

JANUARY 1, 2010 THROUGH DECEMBER 31, 2011

YEARS AUDITED UNDER GAGAS: 2011 AND 2010

GUEYE & ASSOCIATES, CPA

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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 Accountants' Report* of the Village of Kirkersville, Licking County, prepared by Gueye & Associates, CPA, for the audit period January 1, 2010 through December 31, 2011. 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 Accountants' 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 31, 2012

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VILLAGE OF KIRKERSVILLE  
LICKING COUNTY, OHIO

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## Independent Accountants' Report

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

To the Village Council:

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, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

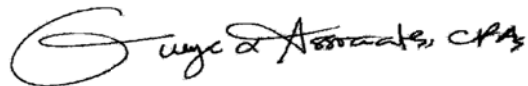
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position, or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of the December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2012, 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. 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 considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Gueye & Associates, CPAs". The signature is written in a cursive, flowing style.

Gueye & Associates, CPA

June 30, 2012



**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, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b><u>Cash Receipts</u></b>			
Property and Other Taxes	\$ 42,179	\$ -	\$ 42,179
Intergovernmental Receipts	35,272	36,142	71,414
Fines, Licenses and Permits	36,958	2,604	39,562
Earnings on Investments	111	60	171
Miscellaneous	1,930	-	1,930
Total Cash Receipts	<u>116,450</u>	<u>38,806</u>	<u>155,256</u>
<b><u>Disbursements:</u></b>			
Security of Persons and Property	27,379	-	27,379
Community Environment	463	-	463
Transportation	-	39,972	39,972
General Government	95,715	4,253	99,968
Total Cash Disbursements	<u>123,557</u>	<u>44,225</u>	<u>167,782</u>
 Total Receipts Over (Under) Disbursements	 (7,107)	 (5,419)	 (12,526)
 Fund Cash Balance, January 1	 <u>18,070</u>	 <u>41,278</u>	 <u>59,348</u>
Fund Cash Balance, December 31:			
Restricted	-	35,859	35,859
Unassigned (Deficit)	10,963	-	10,963
 Fund Cash Balance December 31	 <u>\$ 10,963</u>	 <u>\$ 35,859</u>	 <u>\$ 46,822</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, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total Memorandum (Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b><u>Operating Cash Receipts:</u></b>			
Charges for Services	\$ 129,954	\$ -	\$ 129,954
Total Cash Receipts	<u>129,954</u>	<u>-</u>	<u>129,954</u>
<b><u>Operating Cash Disbursements:</u></b>			
Personal Services	4,714	-	4,714
Employee Fringe Benefits	735	-	735
Contractual Services	80,044	-	80,044
Supplies and Materials	13,043	-	13,043
Total Cash Disbursements	<u>98,536</u>	<u>-</u>	<u>98,536</u>
<b><u>Non-Operating Cash Receipts:</u></b>			
Special Assessment	32,124	-	32,124
Other Non-Operating Cash Receipts	-	63,119	63,119
Total Non-Operating Cash Receipts	<u>32,124</u>	<u>63,119</u>	<u>95,243</u>
<b><u>Non-Operating Cash Disbursements:</u></b>			
Capital Outlay	19,179	-	19,179
Redemption of Principal	35,936	-	35,936
Interest and Fiscal Charges	18,341	-	18,341
Other Non-Operating Cash Disbursements	-	62,513	62,513
Total Non-Operating Cash Disbursements	<u>73,456</u>	<u>62,513</u>	<u>135,969</u>
Net Receipts over Disbursements	(9,914)	606	(9,308)
Fund Cash Balance, January 1	<u>119,776</u>	<u>353</u>	<u>120,129</u>
Fund Cash Balance December 31	<u>\$ 109,862</u>	<u>\$ 959</u>	<u>\$ 110,821</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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b><u>Cash Receipts:</u></b>			
Property and Other Taxes	\$ 44,907	\$ -	\$ 44,907
Intergovernmental Receipts	37,484	21,747	59,231
Fines, Licenses and Permits	22,713	1,335	24,048
Earnings on Investments	5,004	1,278	6,282
Miscellaneous	5,872	-	5,872
Total Cash Receipts	<u>115,980</u>	<u>24,360</u>	<u>140,340</u>
<b><u>Disbursements:</u></b>			
Security of Persons and Property	26,795	16	26,811
Community Environment	9,442	-	9,442
Transportation	-	27,969	27,969
General Government	94,690	8,233	102,923
Redemption of Principal	10,698	-	10,698
Interest and Other Fiscal Changes	881	-	881
Total Cash Disbursements	<u>142,506</u>	<u>36,218</u>	<u>178,724</u>
 Total Receipts Over (Under) Disbursements	 (26,526)	 (11,858)	 (38,384)
 Fund Cash Balance, January 1	 <u>44,596</u>	 <u>53,136</u>	 <u>97,732</u>
 Fund Cash Balance December 31	 <u>\$ 18,070</u>	 <u>\$ 41,278</u>	 <u>\$ 59,348</u>
 Reserves for Encumbrances December 31	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</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, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise	Agency	
<b><u>Operating Cash Receipts:</u></b>			
Charges for Services	\$ 120,654	\$ -	\$ 120,654
Total Cash Receipts	120,654	-	120,654
<b><u>Operating Cash Disbursements:</u></b>			
Personal Services	4,806	-	4,806
Employee Fringe Benefits	536	-	536
Contractual Services	80,637	-	80,637
Supplies and Materials	8,749	-	8,749
Total Cash Disbursements	94,728	-	94,728
<b><u>Non-Operating Cash Receipts:</u></b>			
Special Assessment	26,139	-	26,139
Non-Operating Receipts	-	22,188	22,188
Total Non-Operating Cash Receipts	26,139	22,188	48,327
<b><u>Non-Operating Cash Disbursements:</u></b>			
Capital Outlay	5,000	-	5,000
Redemption of Principal	22,194	-	22,194
Interest and Fiscal Charges	11,061	-	11,061
Non-Operating Disbursements	-	23,121	23,121
Total Non-Operating Cash Disbursements	38,255	23,121	61,376
 Net Receipts over Disbursements	 13,810	 (933)	 12,877
 Fund Cash Balance, January 1	 105,966	 1,286	 107,252
 Fund Cash Balance December 31	 \$ 119,776	 \$ 353	 \$ 120,129
 Reserves for Encumbrances December 31	 \$ 18,914	 \$ -	 \$ 18,914

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, 2011 AND 2010**

**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 \$171 and \$6,282 in 2011 and 2010, 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, 2011 AND 2010**

**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 water 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 2011 and 2010 budgetary activity appears in Note 3.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

**F. Fund Balance**

For December 31, 2011, 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, 2011 AND 2010**

**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:

	2011	2010
Demand deposits	\$ 39,979	\$ 42,484
Money Market Deposit Accounts	117,664	136,993
Total Cash and Investments	\$ 157,643	\$ 179,477

**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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,589	\$116,450	(\$1,139)
Special Revenue	37,955	38,806	851
Enterprise	149,750	162,078	12,328
Total	\$305,294	\$317,334	\$12,040

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,344	\$123,557	\$6,787
Special Revenue	57,569	44,225	13,344
Enterprise	166,095	171,992	(5,897)
Total	\$354,008	\$339,774	\$14,234

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,902	\$115,980	(\$5,922)
Special Revenue	20,162	24,360	4,198
Enterprise	196,276	146,793	(49,483)
Total	\$338,340	\$287,133	(\$51,207)



**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**3. BUDGETARY ACTIVITY (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,311	\$142,506	\$7,805
Special Revenue	52,163	36,218	15,945
Enterprise	196,276	132,983	63,293
Total	\$398,750	\$311,707	\$87,043

Contrary to the Ohio Revised Code, the Village had expenditures in excess of appropriations in 2011 by \$5,897 in the Sewer Fund.

**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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	Year Issued	Interest Rate	Balance at 12/31/2011
Ohio Water Development Authority	1993	6.75%	\$57,480
Ohio Water Development Authority	1993	6.02%	82,396
Ohio Water Development Authority	1991	7.54%	95,817
United State Department of Agriculture	1992	5.75%	11,006
Total			\$246,699

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.

The 1992 United States Department of Agriculture (USDA) Sewer Plant Expansion Loan is due in semiannual installments through 2012, and is paid from the Sewer Fund.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**5. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA	USDA	Totals
2012	42,674	\$ 12,175	\$ 54,849
2013	42,674	-	42,674
2014	42,674	-	42,674
2015	42,674	-	42,674
2016	42,674	-	42,674
2017-2021	92,340	-	92,340
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
Total	305,710	12,175	317,885
Less Interest	(70,017)	(1,169)	(71,186)
Principal Balance	\$ 235,693	\$ 11,006	\$ 246,699

**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 2011 and 2010, 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, 2011.

**7. RISK MANAGEMENT**

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**7. RISK MANAGEMENT (Continued)**

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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 retained earnings at December 31, 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC 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.



## **Independent Accountant'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 the financial statements of the Village of Kirkersville (the Village), Licking County, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 30, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Village implemented Government Accounting Standard Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider 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. We consider finding No. 2011-01 described in the accompanying schedule of findings to be a material weakness.

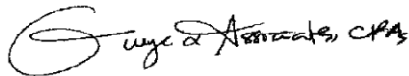
### **Compliance and Other Matters**

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as findings No. 2011-02.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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, 2012.

This report is intended for the information and use of management, members of the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Gueye & Associates, CPA

June 30, 2012

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**SCHEDULE OF FINDINGS and RESPONSES  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2011-01**

**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 2012) 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 2011 and 2010, the Village did not always post receipts/expenditures to the accurate receipt/expenditure classifications, based upon the source of the receipt/purpose of disbursement.

For example, in 2010, the Village posted:

- A total of \$11,960 in charges for services for the Sewer Fund instead of special assessment.
- A total of \$11,579 to the Street Fund as transportation expenditures in lieu of principal and interest payments from the General Fund; and a total of \$9,586 in the Sewer Fund as capital outlay in lieu of principal and interest.
- Mayor's court fines in the amount of \$2,254 as charges for services in the Sewer Fund, in lieu of Fines in the General Fund.
- Mayor's Court receipts and disbursements were not posted in the Agency Fund as receipts and disbursements.
- A total of \$4,849 in intergovernmental receipts was posted as property taxes.

In 2011, the Village posted:

- A total of \$18,003 in charges for services for the Sewer Fund in lieu of special assessment.
- A total of \$54,277 in principal and interest payments as contractual services.
- Mayor's Court receipts and disbursements were not posted in the Agency Fund as receipts and disbursements.
- A total of \$24,672 in property taxes as miscellaneous revenues in the General Fund.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2011-01 (Continued)**

**Material Weakness: Posting of Transactions in Accounting System (Continued)**

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.

**Finding Number 2011-02**

**Non-Compliance Citation: Expenditures in Excess of Appropriations**

The Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2011, expenditures exceeded appropriations in the Sewer Fund by \$5,897.

The Village should implement internal controls that would ensure that no money is expended unless it has been properly appropriated.

**Client Response:**

Budgetary procedures will be implemented to prevent any non-compliance in the future.

**VILLAGE OF KIRKERSVILLE  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Expenditures in excess of Appropriations ORC Section 5705.41(B)	No	Reissued as Finding # 2011-02
2009-002	Appropriations in excess of estimated resources ORC Section 5705.36(A)	Yes	N/A
2009-003	Certification of Purchases in accordance with ORC Section 5705.41(D)	Partially	Reissued as management letter comment





# 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  
NOVEMBER 13, 2012