

VILLAGE OF KILLBUCK

AUDIT REPORT

JANUARY 1, 2005 - DECEMBER 31, 2006

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



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Killbuck
PO Box 424
Killbuck, Ohio 44637

We have reviewed the *Independent Auditors' Report* of the Village of Killbuck, Holmes County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 13, 2007

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**VILLAGE OF KILLBUCK
HOLMES COUNTY
JANUARY 1, 2005 - DECEMBER 31, 2006**

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Village of Killbuck, Holmes County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village of Killbuck's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Killbuck's combined funds as of December 31, 2006 and 2005, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Killbuck, Holmes County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2007, on our consideration of the Village of Killbuck's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 30, 2007

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 62,159	\$ -	\$ -	\$ 62,159
Intergovernmental Receipts	24,425	38,744	-	63,169
Charges for Services	2,472	-	-	2,472
Fines, Licenses, and Permits	-	-	-	-
Earnings on Investments	10,276	541	-	10,817
Miscellaneous	21,562	-	17,722	39,284
Total Cash Receipts	<u>120,894</u>	<u>39,285</u>	<u>17,722</u>	<u>177,901</u>
Cash Disbursements:				
Current:				
Security of Persona and Property	14,372	-	-	14,372
Public Health Services	3,201	-	-	3,201
Leisure Time Activities	22,652	-	-	22,652
Basic Utility Service	4,655	-	-	4,655
Transportation	25,659	34,448	-	60,107
General Government	38,976	-	-	38,976
Capital Outlay	1,981	-	2,618	4,599
Total Cash Disbursements	<u>111,496</u>	<u>34,448</u>	<u>2,618</u>	<u>148,562</u>
Total Receipts Over/(Under) Cash Disbursements	9,398	4,837	15,104	29,339
Other Financing Receipts/(Disbursements)				
Transfers-In	-	6,587	-	6,587
Transfers-Out	-	-	(16,469)	(16,469)
Total Other Financing Receipts/(Disbursements)	-	<u>6,587</u>	<u>(16,469)</u>	<u>(9,882)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,398	11,424	(1,365)	19,457
Fund Cash Balances, January 1	<u>135,656</u>	<u>27,256</u>	<u>57,881</u>	<u>220,793</u>
Fund Cash Balances, December 31	<u>\$ 145,054</u>	<u>\$ 38,680</u>	<u>\$ 56,516</u>	<u>\$ 240,250</u>

See notes to financial statements.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 62,884	\$ -	\$ -	\$ 62,884
Intergovernmental Receipts	26,068	43,294	80,347	149,709
Charges for Services	2,695	-	-	2,695
Fines, Licenses, and Permits	6	-	-	6
Earnings on Investments	6,726	354	-	7,080
Miscellaneous	8,921	-	17,165	26,086
Total Cash Receipts	<u>107,300</u>	<u>43,648</u>	<u>97,512</u>	<u>248,460</u>
Cash Disbursements:				
Current:				
Security of Persona and Property	12,354	-	-	12,354
Public Health Services	1,598	-	-	1,598
Leisure Time Activities	13,120	-	-	13,120
Basic Utility Service	3,760	-	-	3,760
Transportation	33,777	32,664	-	66,441
General Government	38,799	-	-	38,799
Capital Outlay	33,328	3,765	93,260	130,353
Total Cash Disbursements	<u>136,736</u>	<u>36,429</u>	<u>93,260</u>	<u>266,425</u>
Total Receipts Over/(Under) Cash Disbursements	(29,436)	7,219	4,252	(17,965)
Other Financing Receipts/(Disbursements)				
Transfers-In	-	-	-	-
Transfers-Out	-	-	-	-
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(29,436)	7,219	4,252	(17,965)
Fund Cash Balances, January 1	<u>165,092</u>	<u>20,037</u>	<u>53,629</u>	<u>238,758</u>
Fund Cash Balances, December 31	<u>\$ 135,656</u>	<u>\$ 27,256</u>	<u>\$ 57,881</u>	<u>\$ 220,793</u>

See notes to financial statements.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
	<u>Enterprise</u>	<u>Enterprise</u>
Operating Cash Receipts:		
Charges for Services	\$ 326,438	\$ 291,842
Miscellaneous	500	2,031
Total Operating Cash Receipts	<u>326,938</u>	<u>293,873</u>
Operating Cash Disbursements:		
Personal Services	101,844	88,013
Travel Transportation	1,244	524
Contractual Services	89,212	123,189
Supplies and Materials	23,243	19,713
Capital Outlay	111,424	5,514
Total Operating Cash Disbursements	<u>326,967</u>	<u>236,953</u>
Operating Income	(29)	56,920
Non-Operating Cash Receipts (Disbursements):		
Debt Proceeds	102,508	-
Debt Service:		
Principal	(97,436)	(70,958)
Interest	(25,372)	(28,217)
Total Non-Operating Cash Receipts (Disbursements)	<u>(20,300)</u>	<u>(99,175)</u>
Income Before Interfund Transfers	(20,329)	(42,255)
Transfers-In	9,882	-
Net Income (Loss)	(10,447)	(42,255)
Fund Cash Balances, January 1	<u>276,910</u>	<u>319,165</u>
Fund Cash Balances, December 31	<u><u>\$ 266,463</u></u>	<u><u>\$ 276,910</u></u>

See notes to financial statements.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Killbuck, Holmes County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village has contracted with the Holmes County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of state.

C. Cash and Investments

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

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Capital Projects Funds

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

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

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

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

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$ (5,365)	\$ (5,081)
Certificates of Deposits	200,000	200,000
Money Market	312,078	302,784
Total Deposits	\$ 506,713	\$ 497,703

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 121,275	\$ 120,894	\$ (381)
Special Revenue	31,803	45,872	14,069
Capital Projects	14,200	17,722	3,522
Enterprise	312,587	439,328	126,741
Total	\$ 479,865	\$ 623,816	\$ 143,951

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 141,200	\$ 111,496	\$ 29,704
Special Revenue	40,525	34,448	6,077
Capital Projects	-	19,087	(19,087)
Enterprise	509,711	449,775	59,936
Total	\$ 691,436	\$ 614,806	\$ 76,630

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 110,175	\$ 107,300	\$ (2,875)
Special Revenue	53,000	43,648	(9,352)
Capital Projects	55,000	97,512	42,512
Enterprise	306,000	293,873	(12,127)
Total	\$ 524,175	\$ 542,333	\$ 18,158

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 157,200	\$ 136,736	\$ 20,464
Special Revenue	38,126	36,429	1,697
Capital Projects	105,000	93,260	11,740
Enterprise	452,117	336,128	115,989
Total	\$ 752,443	\$ 602,553	\$ 149,890

Contrary to ORC 5705.28, the 2006 tax budget was passed after the deadline.
 Contrary to ORC 5705.34, the resolution accepting the necessary tax levies was after the deadline.
 Contrary to ORC 5705.36, no new certificate was received for the FEMA money received in 2005.
 Contrary to ORC 5705.39, as of January 16, 2006, the Sewer fund had appropriations greater than resources.
 Contrary to ORC 5705.41(B), the FEMA fund had expenditures greater than appropriations in 2006 and 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest rate</u>
1988 OWDA Loan 2761/0211 HP	\$ 232,640	8.23%
1988 OWDA Loan 16541/0805 PW-NR	59,796	2.00%
1993 General Obligation Bonds	29,300	6.00%
1995 OPWC Loan	20,942	0.00%
2005 OWDA Loan 4459	97,994	5.89%
Total	<u>\$ 440,672</u>	

The 1988 Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The remaining loan balances will be repaid in semiannual installments of \$32,976, including interest over 8 years. The loan is collateralized by water and sewer receipts. The 2006 OWDA loan is for sanitary sewer rehabilitation, no amortization schedule is established yet and is not included in the schedule below.

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

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

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

Year Ended December 31	OWDA 2761/0211 HP	OWDA 1654/0805 PW-NR	General Obligation Bonds	OPWC Loan
2007	\$ 54,358	\$ 11,594	\$ 5,258	\$ 2,618
2008	54,358	11,594	5,248	2,618
2009	54,358	11,594	5,226	2,618
2010	54,358	11,594	5,192	2,618
2011	54,358	11,594	5,246	2,618
2012-2016	27,179	5,797	10,582	7,852
Total	<u>\$ 298,969</u>	<u>\$ 63,767</u>	<u>\$ 36,752</u>	<u>\$ 20,942</u>

6. RETIREMENT SYSTEMS

The Village elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members of PERS contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.70% and 13.55% of participants gross salaries for 2006 and 2005, respectively. The Village has paid all employer contributions required through December 31, 2006.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance coverage to full-time employees through Central Reserve Life Insurance Company.

8. TRANSFERS

In 2005, the Village received funds from FEMA for disaster relief in the Village. During 2006, the Village transferred monies out of the FEMA fund back to the funds that originally paid the disbursement to reduce the fund balance to zero as of December 31, 2006.

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

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

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

We have audited the financial statements of The Village of Killbuck as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 30, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated March 30, 2007.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Killbuck's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*. However, We noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Killbuck in a separate letter dated March 30, 2007.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 30, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF KILLBUCK

HOLMES COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 26, 2007