

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2006 and 2005

DARL SNYDER, CLERK/TREASURER



Mary Taylor, CPA

Auditor of State

Village Council
Village of Kirby
130 South Main Street
P.O. Box 63
Kirby, Ohio 43330

We have reviewed the *Independent Auditor's Report* of the Village of Kirby, Wyandot County, prepared by Julian & Grube, 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 Auditor's 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 Auditor's 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 Kirby 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

August 8, 2007

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**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

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Julian & Grube, Inc.

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Independent Auditor's Report

Members of Council and Mayor
Village of Kirby
130 South Main Street
P.O. Box 63
Kirby, Ohio 43330

We have audited the accompanying financial statements of the Village of Kirby, Wyandot County, (the "Village") as of and for the years ended December 31, 2006 and 2005. 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' *Governmental Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 2, 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.

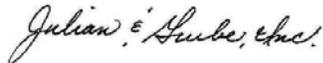
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting 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 the Village of Kirby does not use GAAP to measure its 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Kirby as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires 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 our report dated June 25, 2007, on our consideration of the Village of Kirby'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 25, 2007

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

**COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2006 AND 2005**

<u>Cash and Cash Equivalents</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 77,364	\$ 66,413
Total Cash and Cash Equivalents	<u>\$ 77,364</u>	<u>\$ 66,413</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 46,445	\$ 44,718
Special Revenue Funds	<u>30,919</u>	<u>21,695</u>
Total Governmental Fund Types	<u>77,364</u>	<u>66,413</u>
Total Fund Balances	<u>\$ 77,364</u>	<u>\$ 66,413</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 14,728	\$ -	\$ 14,728
Intergovernmental	8,269	9,275	17,544
Interest	730	410	1,140
Miscellaneous	100	-	100
Total cash receipts	<u>23,827</u>	<u>9,685</u>	<u>33,512</u>
Cash disbursements:			
Current:			
Security of persons and property	5,386	-	5,386
Public health services	1,028	-	1,028
Community environment	3,000	-	3,000
Transportation	1,216	461	1,677
General government	11,470	-	11,470
Total cash disbursements	<u>22,100</u>	<u>461</u>	<u>22,561</u>
Total cash receipts over cash disbursements	1,727	9,224	10,951
Cash fund balances, January 1, 2006	<u>44,718</u>	<u>21,695</u>	<u>66,413</u>
Cash fund balances, December 31, 2006	<u>\$ 46,445</u>	<u>\$ 30,919</u>	<u>\$ 77,364</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ -	\$ -	\$ -	\$ 23,827	\$ 23,827	\$ -	\$ -	\$ -	\$ 22,100	\$ -	\$ 22,100	\$ (22,100)
Special Revenue	-	-	-	9,685	9,685	-	-	-	461	-	461	(461)
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 33,512	\$ 33,512	\$ -	\$ -	\$ -	\$ 22,561	\$ -	\$ 22,561	\$ (22,561)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

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

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 17,434	\$ -	\$ 17,434
Intergovernmental	6,796	7,337	14,133
Interest	1,199	718	1,917
Total cash receipts	25,429	8,055	33,484
Cash disbursements:			
Current:			
Security of persons and property	5,267	-	5,267
Public health services	914	-	914
Community environment	2,325	-	2,325
Transportation	3,410	21,186	24,596
General government	16,871	-	16,871
Total cash disbursements	28,787	21,186	49,973
Total cash receipts (under) cash disbursements	(3,358)	(13,131)	(16,489)
Cash fund balances, January 1, 2005	48,076	34,826	82,902
Cash fund balances, December 31, 2005	\$ 44,718	\$ 21,695	\$ 66,413

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 48,076	\$ 18,720	\$ 66,796	\$ 25,429	\$ 6,709	\$ -	\$ -	\$ -	\$ 28,787	\$ -	\$ 28,787	\$ (28,787)
Special Revenue	34,826	5,524	40,350	8,055	2,531	-	-	-	21,186	-	21,186	(21,186)
Total (Memorandum Only)	<u>\$ 82,902</u>	<u>\$ 24,244</u>	<u>\$ 107,146</u>	<u>\$ 33,484</u>	<u>\$ 9,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,973</u>	<u>\$ -</u>	<u>\$ 49,973</u>	<u>\$ (49,973)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Kirby, Wyandot County, Ohio, (the "Village") is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: general governmental services, including public health services, community environment, security of persons and property, and road repair and maintenance.

The Village's management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Governmental Fund Types

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund Type

These funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

The Village had the following significant special revenue fund:

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

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the item level. Any budgetary modifications at this level may only be made by resolution of the Village's Council. The Village had no budget modifications throughout the years ended December 31, 2006 and 2005.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. Wyandot County waived this requirement for 2006 and 2005.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2006 and December 31, 2005.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND CASH EQUIVALENTS

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 less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$1,140 and \$1,917 for the years ended December 31, 2006 and 2005, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village’s cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE

- A. The following funds had disbursements in excess of appropriations for the years ended December 31, 2006 and 2005, in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>Fund Type/Fund</u>	<u>2006</u>	<u>2005</u>
General Fund	\$ 22,100	\$ 28,787
<u>Special Revenue Fund Types:</u>		
Street Construction, Maintenance & Repair	461	16,133
State Highway	-	5,053

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 3 – COMPLIANCE - (Continued)

Disclosure is presented at the fund level due to the impracticality of determining item level amounts.

- B. The Village did not certify expenditures in a timely manner for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.41(D).
- C. The Village did not certify their fund balances with the County in 2006 in noncompliance with Ohio Revised Code Section 5705.36.
- D. The Village did not approve permanent appropriations in 2006 or 2005 in noncompliance with Ohio Revised Code Section 5705.38.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains all individual cash balances in bank accounts and short-term cash equivalents classified as “Cash and Cash Equivalents” on the Combined Statement of Cash Fund Balances.

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

	<u>2006</u>	<u>2005</u>
Deposits:		
Demand deposits	\$ 57,364	\$ 46,413
Certificate of Deposit	<u>20,000</u>	<u>20,000</u>
Total Cash and Cash Equivalents	<u>\$ 77,364</u>	<u>\$ 66,413</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 5 - 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 on the following June 20.

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

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.

NOTE 6 - LOCAL INCOME TAX

This locally levied tax of 1.00% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are credited to the Village's general fund and amounted to \$13,983 and \$15,717 in 2006 and 2005, respectively.

NOTE 7 - RETIREMENT SYSTEM

The Village's salaried employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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, OPERS members 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. At December 31, 2006, amounts for the years ended 2006 and 2005 have been paid.

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 8 - RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks

- Comprehensive property and general liability;
- General liability and casualty
- Public official's liability; and
- Errors and omissions.

NOTE 9 - CONTINGENT LIABILITIES

The Village is not currently involved in litigation.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of Council and Mayor
Village of Kirby
130 South Main Street
P.O. Box 63
Kirby, Ohio 43330

We have audited the financial statements of the Village of Kirby, Wyandot County (the “Village”) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 25, 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 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control over financial reporting. Accordingly, we do not express an opinion 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Members of Council
Village of Kirby

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, 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 a misstatement or the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider 2006-VOK-005 a deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Kirby's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance whether 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 four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2006-VOK-001 through 2006-VOK-004.

We noted certain matters that we reported to the management of the Village of Kirby in a separate letter dated June 25, 2007.

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

This report is intended solely for the information and use of the Council and management of the Village of Kirby, and is not intended to be and should not be used by anyone other than those specified.



Julian & Grube, Inc.
June 25, 2007

**VILLAGE OF KIRBY
WYANDOT COUNTY, OHIO
DECEMBER 31, 2006 AND 2005**

SCHEDULE OF FINDINGS AND RESPONSES

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2006-VOK-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

Due to the Village Clerk/Treasurer unable to provide evidence of the Council approved annual appropriations, the Village had disbursements in excess of appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>2006</u>	<u>2005</u>
General Fund	\$ 22,100	\$ 28,787
<u>Special Revenue Fund Types:</u>		
Street Construction, Maintenance & Repair	461	16,133
State Highway	-	5,053

With disbursements exceeding appropriations, the Village is spending monies that have not been lawfully appropriated by Village Council. This may result in unnecessary spending.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Village Council will attempt to pass amended appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2006-VOK-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the Clerk/Treasurer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

**VILLAGE OF KIRBY
 WYANDOT COUNTY, OHIO
 DECEMBER 31, 2006 AND 2005**

SCHEDULE OF FINDINGS AND RESPONSES

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOK-002 - (Continued)

It was noted during the audit that the Village Clerk/Treasurer issued Clerk Certificates; however, due to permanent appropriations not being approved, all certificates issued after April 1 were considered invalid. All certificates issued prior to April 1 were drawn off of approved temporary appropriations, of which were not evidenced in quantitative terms in the Council minutes, for the years ended December 31, 2006 and 2005.

Without timely certification and evidence of approved permanent appropriations of which such certifications were drawn on, the Village may expend more funds than available in the treasury, in the process of collection or than funds appropriated by the Village Council, which could potentially lead to negative fund balances. In addition, the Village may make unnecessary purchases.

We recommend that the Village Clerk/Treasurer timely certify its disbursements based on approved permanent appropriations, to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or “Then and Now” certificates where applicable.

Client Response: The Clerk/Treasurer will attempt to certify Clerk Certificates in a more timely manner based on approved permanent appropriations.

Finding Number	2006-VOK-003
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Ohio Revised Code Sections 5705.36, in part, requires Clerk/Treasurers to certify to the county auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village Clerk/Treasurer was unable to provide evidence that unencumbered cash balances at January 1, 2006 were certified with the County Auditor for the year ended December 31, 2005.

The Village is not accurately reflecting its various fund balances to the county auditor for proper certification.

**VILLAGE OF KIRBY
 WYANDOT COUNTY, OHIO
 DECEMBER 31, 2006 AND 2005**

SCHEDULE OF FINDINGS AND RESPONSES

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOK-003 - (Continued)

We recommend that the Village consult the Ohio Compliance Supplement, the Ohio Village Officers' Handbook and its auditors to ensure that Village fund balances agree to audited reports. This will enable the county auditor to perform the proper certification with accurate information. This will in turn allow the Village to properly appropriate funds within its available resources.

Client Response: The Clerk/Treasurer will attempt to certify unencumbered cash with the County Auditor on an annual basis.

Finding Number	2006-VOK-004
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Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until April 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.

The Village could not provide evidence of any Council approved or certified permanent appropriations for 2006 and 2005.

While the Village did not spend more monies that actually available, the lack of evidence of appropriations may hinder its ability to effectively budget and monitor disbursements related to the budget.

We recommend that Council adopt procedures for approving the appropriation measures and include these procedures in an accounting policies and procedures manual. We recommend that the Clerk/Treasurer develop a tickler file including all significant due dates of the budgeting process. The temporary or permanent appropriation measures should be passed prior to incurring expenditures.

Client Response: The Clerk/Treasurer will attempt approve permanent appropriations with the Village Council by April 1 every year.

**VILLAGE OF KIRBY
 WYANDOT COUNTY, OHIO
 DECEMBER 31, 2006 AND 2005**

SCHEDULE OF FINDINGS AND RESPONSES

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-VOK-005

Based upon the results of observations made during our audit, we noted the Village lacked controls regarding the filing of necessary and required documents with the County Auditor as well as approving necessary and required documents for sound fiscal operations.

In general, there are certain required documents to help ensure proper Village operations which should be designed to provide management with accurate financial information to enable well-informed business decisions to be made.

During the years ended December 31, 2006 and 2005 the lack of filing proper documents and Village Council approving such documents facilitated the Village in material noncompliance with four sections of the Ohio Revised Code.

We strongly suggest that the Village consider implementing policies and procedures to ensure the required documents are both approved by Village Council and submitted to the required agency. A ‘tickler system’ may provide assistance as well as the Village Handbook. We further recommend the Village Council provide fiscal oversight to help ensure the controls are in place and properly working. This may help aide the Village in its operations and reporting requirements.

Client Response: The Village Clerk/Treasurer will attempt to adhere to the required deadlines and document submission requirements with the oversight of Village Council.



Mary Taylor, CPA
Auditor of State

VILLAGE OF KIRBY

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 21, 2007