



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

KILLBUCK TOWNSHIP
HOLMES COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpgroup.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Killbuck Township
520 North Main Street
Killbuck, Ohio 44637

We have reviewed the *Independent Auditor's Report* of Killbuck Township, Holmes County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 11, 2019

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Killbuck Township
Holmes County
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Independent Auditor's Report

Killbuck Township
Holmes County
520 North Main St
Killbuck, Ohio 44637

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Killbuck Township, Holmes County, (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Qualified Opinion

Charges for Services related to the Chip & Seal program are reported at \$13,000 and \$7,821 for the years ended December 31, 2018 and 2017, respectively, which are 22 percent of the Special Revenue Fund Charges for Services receipts for the year ended December 31, 2018 and 26 percent of the Special Revenue Fund Charges for Services receipts for the year ended December 31, 2017. We were unable to obtain sufficient appropriate audit evidence supporting these amounts recorded as Special Revenue Fund Charges for Services receipts. Consequently, we were unable to determine where any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements as it relates to the Special Revenue Funds referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and related notes of Killbuck Township, Holmes County Ohio, as of December 31, 2018 and 2017 for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative code Section 117-2-03 permits, described in Note 2.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements as it relates to the General Fund, Debt Service Fund and the Permanent Fund referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and related notes of Killbuck Township, Holmes County Ohio, as of December 31, 2018 and 2017 for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group Inc.
Piketon, Ohio
June 27, 2019

Killbuck Township
Holmes County
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 12,999	\$ 283,589	\$ -	\$ -	\$ 296,588
Intergovernmental	25,801	151,446	-	-	177,247
Charges for Services	-	58,280	-	-	58,280
Interest	134	-	-	6	140
Miscellaneous	1,294	17,805	-	-	19,099
<i>Total Cash Receipts</i>	<u>40,228</u>	<u>511,120</u>	<u>-</u>	<u>6</u>	<u>551,354</u>
Cash Disbursements					
Current:					
General Government	29,379	57,896	-	-	87,275
Public Safety	2,285	146,369	-	-	148,654
Public Works	-	195,356	-	-	195,356
Health	5,623	-	-	-	5,623
<i>Total Cash Disbursements</i>	<u>37,287</u>	<u>399,621</u>	<u>-</u>	<u>-</u>	<u>436,908</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>2,941</u>	<u>111,499</u>	<u>-</u>	<u>6</u>	<u>114,446</u>
<i>Net Change in Fund Cash Balances</i>	2,941	111,499	-	6	114,446
<i>Fund Cash Balances, January 1</i>	<u>30,726</u>	<u>135,148</u>	<u>(4,404)</u>	<u>2,329</u>	<u>163,799</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	2,000	2,000
Restricted	-	246,687	-	335	247,022
Assigned	29,690	-	-	-	29,690
Unassigned (Deficit)	3,977	(40)	(4,404)	-	(467)
<i>Fund Cash Balances, December 31</i>	<u>\$ 33,667</u>	<u>\$ 246,647</u>	<u>\$ (4,404)</u>	<u>\$ 2,335</u>	<u>\$ 278,245</u>

See accompanying notes to the financial statements.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2018**

1. REPORTING ENTITY

A. Description of the Entity

Primary Government

The constitution and laws of the State of Ohio establish the rights and privileges of the Killbuck Township, Holmes County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

Component Unit

The Killbuck Township Volunteer Fire Department (the Fire Department) is governed by a sixteen-member executive committee which, in association with the Township Trustees, oversees the operation of the Fire Department. Volunteers with a minimum of one year of service qualify for membership on the executive committee. The Fire Department provides fire protection and rescue services to Killbuck Township and to areas outside of the Township. The Township owns the Fire Department's equipment and any debt associated with that equipment. Based on the relationship with the Township, the Fire Department is considered a component unit of the Township. Note 10 provides additional information for the Fire Department.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deposits and Investments

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 Funds

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

Road and Bridge – This fund receives property tax money to pay for constructing, maintaining, and repairing township roads.

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing township roads.

Fire Levy Fund – This fund receives property tax money to pay for providing and maintaining fire apparatus, buildings, ambulance equipment, and fire and ambulance service.

3. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service fund:

General Obligation Debt Service – This fund is used to account for the retirement of the Township's debt.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Permanent Fund

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of the 2018 budgetary activity appears in Note 4.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. Nonspendable

The Township 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

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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 Township Trustees or a Township 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 Township 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.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant and Equipment

The Township records disbursements for acquisition 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.

3. EQUITY IN POOLED CASH

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

	<u>2018</u>
Demand Deposits	\$ 276,245
Certificates of Deposits	<u>2,000</u>
Total Deposits	<u>\$ 278,245</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2018 follows:

<u>2018 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 36,425	\$ 40,228	\$ 3,803
Special Revenue	448,120	511,120	63,000
Permanent	<u>5</u>	<u>6</u>	<u>1</u>
Total	<u>\$ 484,550</u>	<u>\$ 551,354</u>	<u>\$ 66,804</u>

<u>2018 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 54,570	\$ 37,287	\$ 17,283
Special Revenue	570,813	399,621	171,192
Permanent	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 625,383</u>	<u>\$ 436,908</u>	<u>\$ 188,475</u>

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2018**

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include postretirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

7. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0% during calendar year 2018.

8. RISK MANAGEMENT

Risk Pool Membership

The Township has obtained commercial insurance for the following risks:

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

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2018**

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township 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.

10. KILLBUCK TOWNSHIP VOLUNTEER FIRE DEPARTMENT

As indicated in Note 1 to the financial statements, the following disclosure is made on behalf of the Killbuck Township Volunteer Fire Department (the Fire Department); The Fire Department is governed by an executive committee that, in association with the Township Trustees, oversees the operation of the Fire Department. The Fire Departments' grant activity and equipment and maintenance expenses are accounted for on the Township's financial accounting system. However, the Fire Department also receives private donations and fundraiser contributions which do not flow through the Township's financial accounting system. We were not able to obtain the information from the Volunteer Fire Department as it relates to the receipts and expenses for 2018.

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Killbuck Township
Holmes County
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 12,795	\$ 152,732	\$ -	\$ -	\$ 165,527
Intergovernmental	75,814	130,542	-	-	206,356
Charges for Services	-	30,422	-	-	30,422
Interest	86	-	-	4	90
Miscellaneous	2,230	4,806	-	-	7,036
<i>Total Cash Receipts</i>	<u>90,925</u>	<u>318,502</u>	<u>-</u>	<u>4</u>	<u>409,431</u>
Cash Disbursements					
Current:					
General Government	68,038	67,309	-	-	135,347
Public Safety	1,731	63,010	-	-	64,741
Public Works	-	139,482	-	-	139,482
Health	5,833	-	-	-	5,833
Debt Service:					
Principal Retirement	-	24,540	-	-	24,540
<i>Total Cash Disbursements</i>	<u>75,602</u>	<u>294,341</u>	<u>-</u>	<u>-</u>	<u>369,943</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>15,323</u>	<u>24,161</u>	<u>-</u>	<u>4</u>	<u>39,488</u>
<i>Net Change in Fund Cash Balances</i>	15,323	24,161	-	4	39,488
<i>Fund Cash Balances, January 1</i>	<u>15,403</u>	<u>110,987</u>	<u>(4,404)</u>	<u>2,325</u>	<u>124,311</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	2,000	2,000
Restricted	-	135,188	-	329	135,517
Assigned	5,945	-	-	-	5,945
Unassigned (Deficit)	24,781	(40)	(4,404)	-	20,337
<i>Fund Cash Balances, December 31</i>	<u>\$ 30,726</u>	<u>\$ 135,148</u>	<u>\$ (4,404)</u>	<u>\$ 2,329</u>	<u>\$ 163,799</u>

See accompanying notes to the financial statements.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2017**

1. REPORTING ENTITY

A. Description of the Entity

Primary Government

The constitution and laws of the State of Ohio establish the rights and privileges of the Killbuck Township, Holmes County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

Component Unit

The Killbuck Township Volunteer Fire Department (the Fire Department) is governed by a sixteen-member executive committee which, in association with the Township Trustees, oversees the operation of the Fire Department. Volunteers with a minimum of one year of service qualify for membership on the executive committee. The Fire Department provides fire protection and rescue services to Killbuck Township and to areas outside of the Township. The Township owns the Fire Department's equipment and any debt associated with that equipment. Based on the relationship with the Township, the Fire Department is considered a component unit of the Township. Note 11 provides additional information for the Fire Department.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deposits and Investments

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 Funds

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

Road and Bridge – This fund receives property tax money to pay for constructing, maintaining, and repairing township roads.

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing township roads.

Fire Levy Fund – This fund receives property tax money to pay for providing and maintaining fire apparatus, buildings, ambulance equipment, and fire and ambulance service.

3. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service fund:

General Obligation Debt Service – This fund is used to account for the retirement of the Township's debt.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Permanent Fund

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of the 2017 budgetary activity appears in Note 4.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

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

1. Nonspendable

The Township 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

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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 Township Trustees or a Township 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 Township 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.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. 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.

3. EQUITY IN POOLED CASH

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

	<u>2017</u>
Demand Deposits	\$ 161,799
Certificates of Deposits	<u>2,000</u>
Total Deposits	<u><u>\$ 163,799</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017 follows:

<u>2017 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 83,350	\$ 90,925	\$ 7,575
Special Revenue	300,770	318,502	17,732
Permanent	5	4	(1)
Total	<u><u>\$ 384,125</u></u>	<u><u>\$ 409,431</u></u>	<u><u>\$ 25,306</u></u>

<u>2017 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 92,200	\$ 75,602	\$ 16,598
Special Revenue	399,060	294,341	104,719
Permanent	-	-	-
Total	<u><u>\$ 491,260</u></u>	<u><u>\$ 369,943</u></u>	<u><u>\$ 121,317</u></u>

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2017**

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

The Township issued a capital lease in 2012 for a fire truck. The capital lease payments were made from the Fire Levy fund. This lease was paid off during 2017.

7. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include postretirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1% during calendar year 2017.

**Killbuck Township
Holmes County**

**Notes to The Financial Statements
For the Year Ended December 31, 2017**

9. RISK MANAGEMENT

Risk Pool Membership

The Township has obtained commercial insurance for the following risks:

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

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township 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.

11. KILLBUCK TOWNSHIP VOLUNTEER FIRE DEPARTMENT

As indicated in Note 1 to the financial statements, the following disclosure is made on behalf of the Killbuck Township Volunteer Fire Department (the Fire Department); The Fire Department is governed by an executive committee that, in association with the Township Trustees, oversees the operation of the Fire Department. The Fire Departments' grant activity and equipment and maintenance expenses are accounted for on the Township's financial accounting system. However, the Fire Department also receives private donations and fundraiser contributions which do not flow through the Township's financial accounting system. We were not able to obtain the information from the Volunteer Fire Department as it relates to the receipts and expenses for 2017.



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

Killbuck Township
Holmes County
520 North Main St.
Killbuck, Ohio 44637

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Killbuck Township, Holmes County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 27, 2019 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on Special Revenue Fund Charges for Services because we were unable to obtain sufficient appropriate evidence supporting Charges for Services related to the Chip & Seal program for December 31, 2018 and 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2018-001, 2018-003 and 2018-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2018-003 and 2018-005.

Purpose of this Report

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



BHM CPA Group Inc.
Piketon, Ohio
June 27, 2019

**Killbuck Township
Holmes County**

**Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017**

Finding Number 2018-001

Material Weakness - Supporting Documentation of Charges for Service Revenue – Chip & Seal

During the testing of the Charges for Services account balance in the Road and Bridge Fund, the Township did not maintain documentation to support the revenues collected for the Chip and Seal Program provided to the Township residents for fiscal years 2018 and 2017, respectively. The lack of supporting documentation could allow errors, irregularities and possible overcharging of Township residents to occur and go undetected for an extended period of time. As a result, we qualified the opinion regarding this lack of supporting documentation.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To help ensure the Township's financial statements are complete and accurate, the Township should maintain supporting documentation for all revenue received for the Chip and Seal Program. This will help ensure errors, irregularities and/or inaccurate charges are detected timely and the financial statements are complete and accurate.

Client Response: We did not receive a response form the client.

Finding Number 2018-002

Significant Deficiency – Killbuck Township Volunteer Fire Department – Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes standards of accounting and financial reporting for state and local governmental entities. Standards set by GASB guide the preparation of external financial reports for those entities.

GASB Codification Section 2100 established standards for defining and reporting on the financial reporting entity. Per section 2100.111, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Killbuck Township Volunteer Fire Department is a legally separate not-for-profit organization. The Fire Department was organized for the preservation and protection of life and property during such fires and emergencies as may occur in Killbuck Township and to lend assistance to neighboring villages and townships when requested. Despite the Fire Department being an entity legally separate from the Township, the Fire Department is a component unit that is neither blended or discretely presented but rather should be a component unit recognized in a fiduciary capacity of the Township for financial reporting purposes since the nature and significance of the Fire Department's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Killbuck Township
Holmes County**

**Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017**

Finding Number 2018-002 (continued)

Significant Deficiency – Killbuck Township Volunteer Fire Department – Reporting Entity

As a result, it is necessary for the Fire Department to provide financial statement activity to the Township for inclusion in the Township’s annual financial report.

Currently, the Fire Department does not have an annual audit performed.

The Township should also ensure that such financial activity is obtained timely in order to comply with the annual financial reporting deadline established by Ohio Rev. Code Section 117.38 and appropriately included in the financial statements based in accordance with the basis of accounting utilized by the Township for reporting purposes.

Client Response: We did not receive a response form the client.

Finding Number 2018-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Cemetery Fund balance was (\$40) and Debt Service Fund (\$4,404) at December 31, 2017. The Debt Service Fund balance was (\$4,404) at December 31, 2018.

A budgetary cycle should be in place for all governments. The budgetary process is a plan to coordinate expenditures and resources. The State Legislature has adopted laws to control expenditures using tax budgets and appropriations. The Auditor of State believes budgeting, properly used, provides the most important monitoring control a government has. It is impossible to incur a cash deficit if a government complies with the budgetary law. Additionally, the budget is an instrument of public policy. A governing board expresses its desire for using a government’s limited resources through its appropriations.

We recommend the Fiscal Officer review the Ohio Compliance Supplement for budgetary requirements to implement a budgetary cycle for the Township. We further recommend the Township monitor spending to ensure deficit balances do not occur.

Client Response: We did not receive a response form the client.

**Killbuck Township
Holmes County**

**Schedule of Audit Findings
For the Years Ended December 31, 2018 and 2017**

Finding Number 2018-004

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure information provided to readers of the financial statements is accurate and complete.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Beginning Balances were adjusted for the Cemetery Fund and the Road and Bridge Fund.
- A \$50,000 receipt in the General Fund was reclassified from miscellaneous receipts to intergovernmental receipts.
- 2017 and 2018 General Fund assigned fund balance for subsequent year appropriations in excess of estimated receipts has been reclassified from unassigned to assigned. Permanent Fund balance was reclassified from restricted to nonspendable for endowment funds.

Misstatements have been posted to the financial statements.

To ensure the Township's financial statements are accurate and complete, we recommend the Township review the prepared financial report or hire someone knowledgeable of the financial reporting process and accounting standards to assist in the preparation and/or review of the financial report. We further recommend the Township post financial activity in accordance with the Township Handbook.

Client Response: We did not receive a response form the client.

Finding Number 2018-005

Material Noncompliance

26 U.S.C. §§ 3401, 3402, 3403, 3404, 3405, and 3102(a) require the employing government to withhold federal income and employment related taxes (such as Medicare). These Sections also require the government to report and remit those tax matters to the appropriate tax authorities and the recipients.

The Township failed to timely submit the required federal payroll taxes or quarterly 941 Tax Forms as required by the Internal Revenue Service. The Township did not file or make payments for any period in 2017 or 2018 until May 20, 2019. Failure to implement controls over the payroll process has caused the Township to endure penalties and interest to the IRS.

The Fiscal Officer should implement controls to aid in submitting the required reports and contribution/withholding remittances in a timely manner to help ensure compliance with applicable laws and regulations and to avoid interest and penalties.

Client Response: We did not receive a response form the client.

**Killbuck Township
Holmes County**

**Schedule of Prior Audit Findings
For the Years Ended December 31, 2018 and 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Noncompliance – ORC 5705.41D	Yes	
2016-002	Noncompliance and material weakness – ORC 5705.10H	No	Reissued as 2018-003
2016-003	Material Weakness – no documentation to support revenues collected for chip and seal	No	Reissued as 2018-001
2016-004	Significant Deficiency – fire department needs to provide financial statement activity to the township for inclusion in the townships annual financial report	No	Reissued as 2018-002
2016 – 005	Noncompliance – ORC 5705.10(C)	Yes	
2016 – 006	Noncompliance and material weakness – ORC 5705.39	Yes	
2016 – 007	Noncompliance and material weakness – ORC 133.10(E)(1)	Yes	

OHIO AUDITOR OF STATE
KEITH FABER



KILLBUCK TOWNSHIP

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
JULY 23, 2019**