



**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF KILLBUCK  
HOLMES COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Killbuck  
Holmes County  
138 Main Street  
P.O. Box 424  
Killbuck, Ohio 44637

To the Village Council:

We have audited the accompanying financial statements of the Village of Killbuck, Holmes County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Mayor's Court activity which should be reported within an Agency Fund according to the basis of accounting described in Note 1. The amounts that should be recorded in the Agency Fund are not reasonably determinable. In addition, because of inadequate Mayor's Court records, we were unable to form an opinion regarding the amount of fines, licenses and permits recorded in the General Fund totaling \$2,839 and \$9,623 during 2000 and 1999, respectively.

In our opinion, except for the omission of the Mayor's Court activity that should have been reported as an Agency Fund and lack of Mayor's Court records, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 audits.

Village of Killbuck  
Holmes County  
Report of Independent Accountants  
Page 2

This report is intended solely for the information and use of management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

August 24, 2001

**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, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$51,333	\$0	\$0	\$51,333
Intergovernmental	26,585	26,376	0	52,961
Charges for Services	6,053	0	0	6,053
Fines, Licenses, and Permits	2,839	155	0	2,994
Earnings on Investments	17,166	0	0	17,166
Miscellaneous	9,898	910	24,449	35,257
	<u>113,874</u>	<u>27,441</u>	<u>24,449</u>	<u>165,764</u>
<b>Total Cash Receipts</b>				
	113,874	27,441	24,449	165,764
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	44,850	1,268	0	46,118
Public Health Services	3,118	0	0	3,118
Leisure Time Activities	17,046	0	0	17,046
Transportation	18,044	26,657	0	44,701
General Government	37,909	0	0	37,909
CIC Loans	0	0	40,000	40,000
	<u>120,967</u>	<u>27,925</u>	<u>40,000</u>	<u>188,892</u>
<b>Total Cash Disbursements</b>				
	120,967	27,925	40,000	188,892
<b>Total Cash Receipts (Under) Cash Disbursements</b>	<u>(7,093)</u>	<u>(484)</u>	<u>(15,551)</u>	<u>(23,128)</u>
<b>Fund Cash Balances, January 1</b>	<u>107,897</u>	<u>14,504</u>	<u>110,666</u>	<u>233,067</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$100,804</b></u>	<u><b>\$14,020</b></u>	<u><b>\$95,115</b></u>	<u><b>\$209,939</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$306</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$306</b></u>

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

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, 1999**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$52,921	\$0	\$0	\$0	\$52,921
Intergovernmental	29,732	26,211	0	0	55,943
Charges for Services	5,802	0	0	0	5,802
Fines, Licenses, and Permits	9,623	360	0	0	9,983
Earnings on Investments	13,473	0	0	0	13,473
Miscellaneous	6,244	187	0	22,570	29,001
<b>Total Cash Receipts</b>	<u>117,795</u>	<u>26,758</u>	<u>0</u>	<u>22,570</u>	<u>167,123</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	38,599	0	0	0	38,599
Public Health Services	3,085	0	0	0	3,085
Leisure Time Activities	10,569	0	0	0	10,569
Transportation	39,043	28,917	0	0	67,960
General Government	49,926	35	0	0	49,961
Debt Service:					
Principal Payments	0	0	5,608	0	5,608
<b>Total Cash Disbursements</b>	<u>141,222</u>	<u>28,952</u>	<u>5,608</u>	<u>0</u>	<u>175,782</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(23,427)</u>	<u>(2,194)</u>	<u>(5,608)</u>	<u>22,570</u>	<u>(8,659)</u>
Fund Cash Balances, January 1	131,324	16,698	5,608	88,096	241,726
<b>Fund Cash Balances, December 31</b>	<u><b>\$107,897</b></u>	<u><b>\$14,504</b></u>	<u><b>\$0</b></u>	<u><b>\$110,666</b></u>	<u><b>\$233,067</b></u>
Reserves for Encumbrances, December 31	\$257	\$74	\$0	\$0	\$331

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



**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, 2000 AND 1999**

	<b>2000 Enterprise</b>	<b>1999 Enterprise</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$253,972	\$240,575
Miscellaneous	6,684	1,076
	260,656	241,651
<b>Operating Cash Disbursements:</b>		
Personal Services	68,404	75,242
Contractual Services	72,810	62,376
Supplies and Materials	43,572	55,465
Capital Outlay	12,500	0
	197,286	193,083
Total Operating Cash Disbursements	197,286	193,083
Operating Income	63,370	48,568
<b>Non-Operating Cash Disbursements:</b>		
Debt Service:		
Principal Payments	34,212	26,787
Interest Payments	39,586	41,435
	73,798	68,222
Total Non-Operating Cash Disbursements	73,798	68,222
Net Receipts (Under) Disbursements	(10,428)	(19,654)
Fund Cash Balances, January 1	226,846	246,500
<b>Fund Cash Balances, December 31</b>	<b>\$216,418</b>	<b>\$226,846</b>
Reserves for Encumbrances, December 31	\$257	\$726

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

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**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**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 general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services. From July 1999 to July 2000, the Village 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**

The Village maintains cash in an interest bearing checking account. During 2000, the Village established a Money Market account.

**D. Fund Accounting**

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

**1. 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.

**2. Special Revenue Funds**

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

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

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

**4. Capital Projects Fund**

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).

**5. 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 receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**2. EQUITY IN POOLED CASH**

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 1,387	\$ 459,913
Money Market	<u>424,970</u>	<u>0</u>
Total deposits	<u>\$ 426,357</u>	<u>\$ 459,913</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 127,750	\$ 113,874	\$ (13,876)
Special Revenue	22,620	27,441	4,821
Capital Projects	22,300	24,449	2,149
Enterprise	<u>238,000</u>	<u>260,656</u>	<u>22,656</u>
Total	<u>\$ 410,670</u>	<u>\$ 426,420</u>	<u>\$ 15,750</u>

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 169,500	\$ 121,273	\$ 48,227
Special Revenue	35,584	27,925	7,659
Capital Projects	130,000	40,000	90,000
Enterprise	372,900	271,341	101,559
Total	<u>\$ 707,984</u>	<u>\$ 460,539</u>	<u>\$ 247,445</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 105,528	\$ 117,795	\$ 12,267
Special Revenue	26,478	26,758	280
Debt Service	77,200	0	(77,200)
Capital Projects	22,000	22,570	570
Enterprise	234,000	241,651	7,651
Total	<u>\$ 465,206</u>	<u>\$ 408,774</u>	<u>\$ (56,432)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 158,000	\$ 141,479	\$ 16,521
Special Revenue	34,000	29,026	4,974
Debt Service	77,200	5,608	71,592
Capital Projects	95,000	0	95,000
Enterprise	268,900	262,031	6,869
Total	<u>\$ 633,100</u>	<u>\$ 438,144</u>	<u>\$ 194,956</u>

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**4. NON-COMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41(B), certain expenditures exceeded appropriations at the object level, the legal level of budgetary control.

Contrary to Ohio Rev. Code Section 5705.41(D), certain expenditures were not certified prior to incurring the obligation.

**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 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.

**6. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
1988 Ohio Water Development Authority Loan Loan Number 2761/0211 HP	\$ 118,038	2.00%
1988 Ohio Water Development Authority Loan Loan Number 1654/0805 PW-NR	394,293	8.23%
1993 General Obligation Bonds	46,500	6.00%
1995 Ohio Public Works Commission Loan	36,650	0%
Total	\$ 595,481	

The 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 12 years. The loan is collateralized by water and sewer receipts.

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. DEBT (Continued)**

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 13 years.

The Ohio Public Works Commission loan also relates to the water plant expansion and update project and is being repaid in semiannual installments of \$1,309 over 15 years.

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

Year ending December 31:	OWDA Loan No. 2761/0211 HP	OWDA Loan No. 1654/0805 PW-NR	General Obligation Bonds	Ohio Public Works Commission
2001	\$ 11,594	\$ 54,358	\$ 5,290	\$ 2,618
2002	11,594	54,358	5,240	2,618
2003	11,594	54,358	5,284	2,618
2004	11,594	54,358	5,216	2,618
2005	11,594	54,358	5,242	2,618
Subsequent	<u>81,158</u>	<u>380,513</u>	<u>42,008</u>	<u>23,560</u>
Total	<u>\$ 139,128</u>	<u>\$ 652,303</u>	<u>\$ 68,280</u>	<u>\$ 36,650</u>

**7. RETIREMENT SYSTEM**

Full-time 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. During 2000, the Village contributed an amount equal to 10.84% of participants' gross salaries. During 1999, the Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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





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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Killbuck  
Holmes County  
138 Main Street  
P.O. Box 424  
Killbuck, Ohio 44637

To the Village Council:

We have audited the accompanying financial statements of the Village of Killbuck, Holmes County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 24, 2001, which was qualified due to the omission of the Mayor's Court activity which should have been recorded in an Agency Fund and due to inadequate Mayor's Court records. Except as discussed in the preceding sentence, we conducted our audits 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-30938-001 and 2000-30938-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 24, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-30938-003 through 2000-30938-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and may not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-30938-005 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 24, 2001.

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

**Jim Petro**  
Auditor of State

August 24, 2001

VILLAGE OF KILLBUCK  
HOLMES COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30938-001

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

Throughout 2000 and 1999, 23% of expenditures tested were not within appropriations at the object level, the legal level of budgetary control. In addition, at December 31, 1999, object level expenditures plus outstanding encumbrances exceeded appropriations in the Water Fund Water Wages object and Water Fund Water Supplies and Materials object totaling \$3,599 and \$7,141, respectively. As a result, the Village could overspend certain funds. The Village Clerk should frequently compare actual expenditures plus encumbrances to appropriations at the legal level of budgetary control to avoid potential overspending.

FINDING NUMBER 2000-30938-002

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing authority shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereto.

This section also provides for two "exceptions" to the above requirements:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or and order at the time of the certificate, appropriated and free of any encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate
- If the amount involved is less than \$1,000, the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council

During 2000 and 1999, 27% of expenditures tested were not certified by the Village Clerk prior to incurring the obligations. It was also found that neither of the two exceptions were utilized for the items found to be in non-compliance. The Village Clerk should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should implement the use of so called Then and Now certificates and blanket certificates as further permitted by Ohio Rev. Code 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

**FINDING NUMBER 2000-30938-003**

**Reportable Condition - Cash Reconciliations**

During testing of the December 31, 2000 and 1999 monthly bank reconciliations, the following issues were noted:

- Unreconciled differences existed totaling \$675 and \$1,009, respectively
- The Village Clerk used incorrect bank balances
- While the Village Clerk prepared an itemized list of outstanding checks on the computer for the month being reconciled, each respective month's itemized list of outstanding checks was not printed to support the total outstanding checks documented on the monthly bank reconciliation. Once the Village Clerk performs the subsequent month's itemized list of outstanding checks, the previous month's itemized list of outstanding checks is updated accordingly. Consequently, an itemized list of outstanding checks for any previous month cannot be generated.

As a result, errors and irregularities may not be detected timely.

The Village Clerk should:

- Identify unreconciled differences, investigate them and document the resolution on each monthly bank reconciliation
- Utilize the bank balance recorded on each month's respective bank statement
- Print, and retain on file, a hard copy of each month's outstanding itemized check list prior to performing each subsequent month's bank reconciliation

This will help ensure errors are detected timely.

**FINDING NUMBER 2000-30938-004**

**Reportable Condition - Payroll Disbursements**

During 2000 and 1999 we noted the following issues during testing of payroll expenditures:

- While a payroll ledger was maintained on the Village Clerk's computer, the Village Clerk did not generate and maintain, on file, a payroll ledger detailing the employee name, pay rate, hours worked, gross pay, applicable deductions and net pay for all pay periods
- Payroll time sheets were not signed and dated by the Village Clerk to document review and approval of the time sheets
- The Village Clerk did not submit the payroll journal to Village Council for review and subsequent approval as evidenced in the minute records
- Employees are not required to complete leave forms when using sick or vacation leave
- The Village Clerk did not record usage of 1.25 days of sick leave and 32 hours of vacation for a certain employee

**FINDING NUMBER 2000-30938-004**  
**(Continued)**

- The Village Clerk does not maintain adequate personnel files for each employee. During 2000, a personnel file was not maintained for a certain employee
- During 2000, the Village Clerk recorded 1.5 days of sick leave per month for each employee rather than the approved rate of 1.25 days per month

As a result, payroll errors or irregularities may not be detected timely.

We recommend the following:

- The Village Clerk should generate and maintain a payroll ledger which documents the employee name, pay rate, hours worked, gross pay, applicable deductions and net pay for all pay periods
- Time sheets should be signed and dated by the Village Clerk and departmental supervisor
- The Village Clerk should submit the payroll journal to Village Council for review and subsequent approval as evidenced in the minute records
- Employees should be required to complete leave forms when using sick or vacation leave
- The Village Clerk should record all sick leave and vacation usage and maintain accurate accumulated leave balances
- The Village Clerk should maintain a personnel file for each Village employee. The file should include all pertinent information (e.g., federal and state withholdings, retirement system, hire date, etc.)
- The Village Clerk should accrue sick leave at the correct rate of 1.25 days per month (The Village Clerk has subsequently adjusted each affected employee sick leave balances)

This will help ensure payroll errors or irregularities are detected timely.

**FINDING NUMBER 2000-30938-005**

**Material Weakness - Mayor's Court**

During testing of the Mayor's Court activity, the following issues were noted:

- During 1999, for 40% and 70% of transactions tested from the duplicate receipt book, no reference to the cashbook or docket was evident, respectively
- During 2000 and 1999, 40% and 100%, respectively, of transactions tested from the duplicate receipt book could not be traced to the docket
- During 2000 and 1999, 40% and 100%, respectively, of transactions tested from the cashbook could not be traced to the docket
- During 2000 and 1999, 10% and 90% of transactions tested respectively, from the docket, no payment method, amount or date was recorded in the docket

**FINDING NUMBER 2000-30938-005**  
**(Continued)**

- During 2000, 20% of transactions tested from the docket, evidence of the citation was not recorded in the docket
- During 2000 and 1999, 10% and 100%, respectively, of transactions tested from the docket could not be traced to the cashbook or duplicate receipt book because a corresponding cashbook page number or duplicate receipt number was evident in the docket
- During 2000 and 1999, the docket, cashbook, and duplicate receipt book did not document the respective citation number for each entry
- During 2000 and 1999, the Mayor's Monthly Statements to Village Council were not reviewed or approved by Village Council as evidenced within the minutes
- Prior to August 7, 2000, a fee schedule of fines to be assessed was not maintained by the Mayor
- During 2000 and 1999, the Mayor's Court bank statements were not reconciled to the cashbook
- During 2000 and 1999, tickets issued were not maintained in numerical order
- During 2000 and 1999, Mayor's Court revenue and expenditures were not reflected within an Agency Fund on the Village's financial statements

As a result, Mayor's Court revenues and expenditures could be misstated, and errors or irregularities may not be detected timely.

We recommend the following to improve the internal controls and operational efficiency of the Mayor's Court:

- Duplicate receipts should contain references to the cashbook and docket
- Cashbook should contain references to the docket
- Payment method, amount, and date should be recorded in the docket
- Docket should contain the amount of the corresponding citation
- Docket should contain references to the cashbook and duplicate receipts
- Ticket numbers and dates should be posted to the docket, cashbook, and duplicate receipts
- Village Council should review and approve the Mayor's Monthly Statements as evidenced within the Minutes
- A current fee schedule of fines to be assessed should be maintained
- Mayor's Court bank statements should be reconciled to the cashbook on a monthly basis and evidence of that reconciliation maintained
- All tickets issued should be maintained in sequential order

**FINDING NUMBER 2000-30938-005**  
**(Continued)**

- Mayor's Court revenue, expenditures and fund balance should be recorded on the Village's financial statements within an Agency Fund. In addition, the January 1, 2001 Mayor's Court fund balance should be determined and subsequently reflected on the Village's financial statements.

This will help ensure that Mayor's Court revenues, expenditures and fund balances are complete and accurate.

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**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
1998-30938-001	During 1998 and 1997, 92% and 100% of expenditures tested, respectively, were not certified by the Village Clerk prior to incurring the obligations.	No	Partially Corrected – During 2000 and 1999, 27% of expenditures tested were not properly certified by the Village Clerk prior to incurring the obligations.
1998-30938-002	As reflected in the Council's minutes records, the Village formally adopted 1997 appropriations on 1/13/97; however, no evidence was provided to support the amount of appropriations adopted.	Yes	During 2000 and 1999, the Village Clerk maintained the Annual Appropriation Ordinances as evidence to support the amount of appropriations adopted.
1998-30938-003	Interfund transfers from the Enterprise Water and Sewer Funds in the amounts of \$4,208 and \$64,541, respectively, to the Debt Service Fund were not approved by the Tax Commissioner and the Court of Common Pleas.	Yes	The Village did not make any interfund transfers during 2000 or 1999.
1998-30938-004	The 1998 Receipt/Appropriation Ledgers did not reconcile to the Cash Journal and Annual Cash Workbook by approximately \$364,000.	No	Not Corrected – The Village Clerk did not properly maintain a Cash Journal during 2000 and 1999.
1998-30938-005	Several weaknesses were noted during testing of payroll including: the Clerk did not properly maintain a payroll ledger; there was no evidence to support authorized pay rates; payroll time sheets were not properly maintained.	No	Not Corrected – Several weaknesses were noted during testing of payroll including: the Clerk did not properly maintain a payroll ledger; payroll time sheets were not properly approved; employees were not required to complete leave forms; the Village Clerk did not record leave usage; adequate personnel files were not maintained; improper accrual of sick leave.

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

1998-30938-007	Several weaknesses were noted during testing of Mayor's Court receipts and expenditures. The opinion over Mayor's Court activity was qualified.	No	Not Corrected – Several weaknesses were noted during testing of Mayor's Court activity including: a docket, cashbook, and duplicate receipt book were not properly maintained; a fee schedule was not properly maintained; tickets issued during 2000 and 1999 were not properly maintained; Mayor's Court revenue and expenditures were not reflected within an Agency Fund.
1998-30938-008	Proper documentation was not maintained for utility charges for services.	No	Partially Corrected – During 2000 and 1999, the Village Clerk maintained a listing of current residential and commercial utility customers and a record of delinquent residential and commercial accounts. However, the Board of Public Affairs has not adopted a formal policy for the collection of delinquent utility accounts.
1998-30938-008	Several weaknesses were noted during testing of Non-Payroll expenditures including: purchase orders were not properly approved and maintained by the Village Clerk; proper supporting documentation was not maintained for all expenditures; sales tax was improperly paid by the Village.	No	Partially corrected – During 1999, the Village paid sales tax in one instance. During 1999, there was one instance in which proper supporting documentation was not maintained by the Village Clerk.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
OCTOBER 11, 2001**