



**Auditor of State  
Betty Montgomery**



**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2002 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Type For the Year Ended December 31, 2001 .....	4
Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Nonexpendable Trust Fund For the Years Ended December 31, 2002 and 2001 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	19

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Killbuck Township  
Holmes County  
10672 State Route 520  
Killbuck, Ohio 44637

To the Board of Trustees:

We have audited the accompanying financial statements of Killbuck Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Township 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 generally accepted accounting principles.

Due to inadequate Emergency Medical Services (EMS) records, we were unable to form an opinion regarding the amount of Charges for Services reported in the Special Revenue Fund totaling \$9,812 and \$10,632 for 2002 and 2001, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting EMS receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, 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 July 16, 2003 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 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 audit.

This report is intended solely for the information and use of management, the Board of Trustees 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 16, 2003

**KILLBUCK TOWNSHIP  
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, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$9,095	\$90,255	\$0	\$99,350
Intergovernmental	27,668	90,062	1,768	119,498
Charges for Services	0	11,687	0	11,687
Earnings on Investments	874	166	0	1,040
Other	2,345	5,866	0	8,211
	<u>39,982</u>	<u>198,036</u>	<u>1,768</u>	<u>239,786</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	32,878	25,180	0	58,058
Public Safety	0	26,797	0	26,797
Public Works	0	77,937	0	77,937
Health	7,067	0	0	7,067
Debt Service:				
Redemption of Principal	0	24,709	1,987	26,696
Interest and Fiscal Charges	0	3,968	40	4,008
Capital Outlay	0	26,658	0	26,658
	<u>39,945</u>	<u>185,249</u>	<u>2,027</u>	<u>227,221</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>37</u>	<u>12,787</u>	<u>(259)</u>	<u>12,565</u>
<b>Other Financing Receipts:</b>				
Proceeds from Debt:				
Sale of Notes	0	10,110	0	10,110
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	37	22,897	(259)	22,675
Fund Cash Balances, January 1	<u>15,939</u>	<u>63,780</u>	<u>259</u>	<u>79,978</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$15,976</u></b>	<b><u>\$86,677</u></b>	<b><u>\$0</u></b>	<b><u>\$102,653</u></b>

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

**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$8,930	\$94,223	\$0	\$0	\$103,153
Intergovernmental	28,776	74,880	3,107	0	106,763
Charges for Services	0	22,324	0	0	22,324
Earnings on Investments	1,528	188	0	0	1,716
Other	2,599	10,874	0	0	13,473
<b>Total Cash Receipts</b>	<b>41,833</b>	<b>202,489</b>	<b>3,107</b>	<b>0</b>	<b>247,429</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	41,307	30,120	0	0	71,427
Public Safety	0	31,379	0	0	31,379
Public Works	0	101,830	0	0	101,830
Health	7,398	361	0	0	7,759
Debt Service:					
Redemption of Principal	0	8,925	2,910	0	11,835
Interest and Fiscal Charges	0	4,533	197	0	4,730
Capital Outlay	0	159,612	0	68,218	227,830
<b>Total Cash Disbursements</b>	<b>48,705</b>	<b>336,760</b>	<b>3,107</b>	<b>68,218</b>	<b>456,790</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,872)	(134,271)	0	(68,218)	(209,361)
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds from Debt:					
Sale of Notes	0	83,000	0	0	83,000
Sale of Fixed Assets	0	7,795	0	0	7,795
Transfers-In	0	198	0	0	198
Transfers-Out	0	0	(198)	0	(198)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>0</b>	<b>90,993</b>	<b>(198)</b>	<b>0</b>	<b>90,795</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,872)	(43,278)	(198)	(68,218)	(118,566)
Fund Cash Balances, January 1	22,811	107,058	457	68,218	198,544
<b>Fund Cash Balances, December 31</b>	<b>\$15,939</b>	<b>\$63,780</b>	<b>\$259</b>	<b>\$0</b>	<b>\$79,978</b>

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



**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b>Operating Cash Receipts:</b>		
Earnings on Investments	\$74	\$122
<b>Operating Cash Disbursements:</b>		
Supplies and Materials	<u>240</u>	<u>449</u>
Operating (Loss)	<u>(166)</u>	<u>(327)</u>
Fund Cash Balances, January 1	<u>2,263</u>	<u>2,590</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$2,097</u></u></b>	<b><u><u>\$2,263</u></u></b>

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

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**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Killbuck Township, Holmes County, (the Township) 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 Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**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 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 from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

*Gasoline Tax Fund* - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

*Special Levy Fund* - This fund receives special levy monies to pay for providing fire, emergency medical and ambulance services to the Township.

**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness.

**4. Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township has the following significant fiduciary funds:

*Expendable Trust Fund* - This fund is used to account for inheritance monies for the payment of expenses related to the Killbuck Township Volunteer Fire Department.

*Nonexpendable Trust Fund* - This fund is used to account for inheritance monies for the payment of expenses related to the Shrimplin Cemetery in Killbuck Township. The income from the trust is to be used for the maintenance of the cemetery. The principal of the trust is to remain intact.

**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 the appropriation measure 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

The Township 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:

	2002	2001
Demand deposits	\$102,750	\$80,241
Certificates of deposit	2,000	2,000
Total deposits	\$104,750	\$82,241

**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 Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,522	\$39,982	\$7,460
Special Revenue	193,029	208,146	15,117
Debt Service	3,107	1,768	(1,339)
Nonexpendable Trust Fund	120	74	(46)
Total	\$228,778	\$249,970	\$21,192

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,880	\$39,945	\$1,935
Special Revenue	231,863	185,249	46,614
Debt Service	2,040	2,027	13
Nonexpendable Trust Fund	350	240	110
Total	\$276,133	\$227,461	\$48,672

**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,522	\$41,833	\$9,311
Special Revenue	193,228	293,482	100,254
Debt Service	3,107	3,107	0
Expendable Trust Fund	0	0	0
Nonexpendable Trust Fund	120	122	2
Total	\$228,977	\$338,544	\$109,567

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,175	\$48,705	\$3,470
Special Revenue	290,515	336,760	(46,245)
Debt Service	3,305	3,305	0
Expendable Trust Fund	68,218	68,218	0
Nonexpendable Trust Fund	449	449	0
Total	\$414,662	\$457,437	(\$42,775)

**4. NONCOMPLIANCE**

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

Contrary to Ohio Rev. Code Section 5705.41(D), certain 2002 and 2001 expenditures were not certified prior to incurring the commitment.

**5. PROPERTY TAX**

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

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

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

**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 General Obligation Fire Truck Note	\$49,903	6.25%
2002 General Obligation Dump Truck Note	<u>9,572</u>	4.25%
Total	<u><u>\$59,475</u></u>	

The general obligation notes were issued to finance the purchase of a new fire truck and dump truck to be used for Township fire protection and road maintenance, respectively. The fire truck note is collateralized by the truck purchased. The dump truck note is collateralized solely by the Township's taxing authority.

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

	<u>Fire Truck Note</u>	<u>Dump Truck Note</u>
Year ending December 31:		
2003	\$14,682	\$3,594
2004	14,682	3,594
2005	14,682	2,995
2006	14,682	
2007	<u>1,544</u>	
Total	<u><u>\$60,272</u></u>	<u><u>\$10,183</u></u>

**7. RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2002 and 2001, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

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

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**Auditor of State  
Betty Montgomery**

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

Killbuck Township  
Holmes County  
10672 State Route 520  
Killbuck, Ohio 44637

To the Board of Trustees:

We have audited the accompanying financial statements of Killbuck Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 16, 2003, which was qualified due to inadequate EMS records. Except as discussed in the preceding sentence, 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Township'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 audit 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 2002-001 through 2002-002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township'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 Township'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 2002-003 through 2002-005.

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 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 2002-003 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 Township in a separate letter dated July 16, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 16, 2003

**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation**

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

During 2001, expenditures exceeded appropriations within the Special Revenue Special Levy Fund by approximately \$46,000 (16% of approved appropriations). The Township Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid potential overspending. A similar matter was also included in the Schedule of Findings for the period ended December 31, 2000.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit make any contract or order any expenditure of money 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 purpose 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 thereon.

This section 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 order and at the time of the certificate appropriated and free of any previous encumbrances, the Board of Trustees 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 (which was increased to \$3,000 as of April 7, 2003), the Township Clerk may authorize payments through a "Then and Now" Certificate without affirmation of the Board of Trustees provided that the expenditure is otherwise lawful.

During 2002 and 2001, 48 out of 91 (~53%) of expenditures tested were not certified by the Township Clerk prior to incurring the commitment. It was found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Township should implement the use of so-called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. A similar matter was also included in the Schedule of Findings for the period ended December 31, 2000.

### FINDING NUMBER 2002-003

#### Material Weakness – EMS Charges for Services

The following conditions were noted during Charges for Services-EMS run receipts testing:

- Ohio Billing provides a Monthly Aging Report, Monthly Credit Report and Daily Posting Register to the Squad Captain; however, evidence did not exist to support these reports were reviewed for errors or irregularities nor reconciled to the Squad Run Reports for completeness and accuracy;
- Squad Run receipts are collected by the Squad Captain and subsequently deposited with the Township Clerk; however, the Township Clerk does not issue the Squad Captain a duplicate receipt to support the amount of Squad Run receipts exchanged nor were Squad Run receipts deposited timely with the Township Clerk;
- Evidence does not exist to support Squad Run receipts collected by the Squad Captain are applied to the respective Squad Run Report;
- Evidence does not exist to support that the Township Clerk reconciles monthly Squad Run receipts to the Squad Captain's underlying documentation;
- Evidence does not exist to support delinquent Squad Run billings, ranging in amounts up to roughly \$7,300, were actively pursued by the Township. Additionally, the signed contract between Ohio Billing and the Township disclosed delinquent accounts would be written off after 120 days; however, certain accounts in excess of 120 days were still evident on the Monthly Aging Reports;
- A Squad Run Policy and Procedural Manual does not exist which outlines the role and responsibilities of the Squad Captain and Township Clerk.

As a result, errors or irregularities may not be detected timely, squad run receipts could be misappropriated and delinquent squad run accounts not pursued for collection could result in significant loss of revenue.

To help improve internal control over Charges for Services-EMS Receipts, the following should be implemented:

- The Squad Captain should review the Monthly Aging Report, Monthly Credit Report and Daily Posting Registers as evidence those reports were reviewed for errors and irregularities and reconciled to the Squad Run Reports;
- For Squad Run receipts deposited with the Township Clerk, the Township Clerk should prepare a duplicate receipt with a copy retained on file by the Squad Captain and Township Clerk. Also, Squad Run receipts should be deposited with the Township Clerk within one business day of remittance;
- Squad Run remittances should be reconciled to the Squad Run Reports by the Squad Captain;
- Squad Run receipts deposited with the Township Clerk should be reconciled monthly to documentation maintain by the Squad Captain and evidence of that reconciliation maintained on file;

**FINDING NUMBER 2002-003 (Continued)**

- The Township Trustees should prepare and adopt a Squad Run Policy and Procedural Manual (the Manual) as evidenced in the minutes. The Manual should include policies and procedures that address the roles and responsibilities of the Squad Captain, internal controls, collection of delinquencies, etc.

This will help ensure errors and irregularities are detected timely.

**FINDING NUMBER 2002-004**

**Reportable Condition – Volunteer Fire Department**

Killbuck Township provides fire protection and emergency medical services through the Killbuck Township Volunteer Fire Department (The Township is responsible for fire fighting activities while the Voluntary Fire Department is a group providing services to Township residents as well as fund raising activities). However, the Township has not clearly defined its relationship with the Volunteer Fire Department. In addition, the Board of Trustees has not prepared and subsequently adopted a written contract or agreement with the Volunteer Fire Department. As a result, the following weaknesses were noted:

- The Township Clerk only issued Forms 1099 to the Fire Department Chief and Assistant Chief. As a result, taxable income for other Volunteer Fire Department personnel could have been understated.
- The Volunteer Fire Department has been permitted to use the Township's tax payer identification number to make purchases for the fire department without the knowledge or approval of the Township's Trustees. As a result, the Volunteer Fire Department may be improperly utilizing another entity's tax exempt status.
- The Volunteer Fire Department has been permitted to accept checks on behalf of the Township without the knowledge or approval of the Township's Trustees. As a result, monies that should be recorded on the Township's records, could inadvertently be deposited in the Volunteer Fire Department's bank accounts.

We recommend the Township and Volunteer Fire Department perform the following:

- The Board of Trustees and Volunteer Fire Department officials should determine under which law or authority the Volunteer Fire Department was established and reevaluate the terms of their relationship in consideration of the laws and regulations governing each entity. In addition, the Volunteer Fire Department should obtain its own taxpayer identification number.

**FINDING NUMBER 2002-004 (Continued)**

- The Board of Trustees should consult with its legal counsel and establish a formal written agreement with the Volunteer Fire Department as evidenced in the minute record. The agreement should define the rights and responsibilities of the Township and Volunteer Fire Department, establish guidelines for the deposit of public monies collected by the Volunteer Fire Department under Ohio Rev. Code Section 117.01 (C). This agreement should be signed by the Board of Trustees and Fire Department Chief as evidence that it has been mutually agreed upon. This will help ensure the Township and Volunteer Fire Department clearly understand their respective roles and responsibilities.
- The Board of Trustees should define the working relationship between the Township and Volunteer Fire Department personnel. The Township should determine whether withholdings will be made from Volunteer Fire Department personnel's annual gross income as employees of the Township, or Forms 1099 will be issued at each year end as contracted service providers. This will help ensure taxable income is accurately reported for all Volunteer Fire Department personnel.

**FINDING NUMBER 2002-005**

**Reportable Condition – Gasoline Usage**

The Killbuck Township Volunteer Fire Department owns a gasoline pump which the Township uses for Township business. However, the Volunteer Fire Department did not maintain a gasoline usage policy to help ensure that the Volunteer Fire Department was reimbursed for gasoline used by the Township. As a result, the Volunteer Fire Department could not determine the amount of gasoline used by the Township or verify that it had been properly reimbursed.

To help ensure the completeness and accuracy of gasoline used by each entity, the Township and the Volunteer Fire Department should establish a policy that includes the following:

- Establishment of the Township's rights and responsibilities with regard to the Volunteer Fire Department's gasoline pump (i.e. who has access, time of access, etc.). In addition, the gasoline pump should be used each time gasoline is placed in any vehicle by Township or Volunteer Fire Department officials or employees.
- Creation of a standardized invoice to be used each time that the Township accesses the Volunteer Fire Department's gasoline pump. The invoice should document the date, gallons pumped, and signature of Township employee accessing the gasoline pump. Duplicate copies should be made of each invoice; one copy of the invoice should be retained by the Volunteer Fire Department and one copy should be retained by the Township employee.
- Establishment of a billing policy in order for the Volunteer Fire Department to bill the Township for the appropriate amount of gasoline used.

The Board of Trustees and the designated authorities from the Volunteer Fire Department should sign the policy, as evidence of their consent and approval.

**KILLBUCK TOWNSHIP  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-40938-001	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources by \$20,161 within the Debt Service Fund.	Yes	Finding No Longer Valid
2000-40938-002	Ohio Rev. Code Section 5705.40 – The Township Clerk amended certain fund appropriations within the Township's accounting system without approval from the Board of Trustees.	Yes	Finding No Longer Valid
2000-40938-003	Ohio Rev. Code Section 5705.41(B) – At year end, Township expenditures exceeded appropriations at the legal level of control within certain funds.	No	Refer to Finding 2002-001
2000-40938-004	Ohio Rev. Code Section 5705.41(D) – During 2000 and 1999, 23% of expenditures tested were not properly certified by the Township Clerk prior to incurring the commitment.	No	Refer to Finding 2002-002
2000-40938-005	Ohio Adm. Code Section 117-3-23 – Township receipts were not properly coded and classified.	No	Partially Corrected – Issue will be reported to Township management in the Management Letter.
2000-40938-006	Reportable Condition – Volunteer Fire Department	No	Refer to Finding 2002-004
2000-40938-007	Reportable Condition – Gasoline Usage	No	Refer to Finding 2002-005







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**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  
SEPTEMBER 2, 2003**