



**Auditor of State
Betty Montgomery**

VILLAGE OF KILLBUCK
HOLMES COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 generally accepted accounting principles.

In our opinion, 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, 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 August 11, 2003 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 audit.

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

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

Betty Montgomery
Auditor of State

August 11, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$59,584			\$59,584
Intergovernmental Receipts	34,704	\$28,222		62,926
Charges for Services	4,808			4,808
Fines, Licenses, and Permits	1,030	50		1,080
Earnings on Investments	10,294	542		10,836
Miscellaneous	5,266		\$14,097	19,363
	<u>115,686</u>	<u>28,814</u>	<u>14,097</u>	<u>158,597</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	29,618	1,000		30,618
Public Health Services	3,118			3,118
Leisure Time Activities	4,853			4,853
Transportation	11,184	26,809		37,993
General Government	34,342			34,342
Capital Outlay			75,910	75,910
	<u>83,115</u>	<u>27,809</u>	<u>75,910</u>	<u>186,834</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>32,571</u>	<u>1,005</u>	<u>(61,813)</u>	<u>(28,237)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			9,500	9,500
Transfers-Out	(9,500)			(9,500)
	<u>(9,500)</u>		<u>9,500</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,071	1,005	(52,313)	(28,237)
Fund Cash Balances, January 1	<u>83,802</u>	<u>17,816</u>	<u>118,087</u>	<u>219,705</u>
Fund Cash Balances, December 31	<u>\$106,873</u>	<u>\$18,821</u>	<u>\$65,774</u>	<u>\$191,468</u>
Reserves for Encumbrances, December 31	<u>\$31</u>	<u>\$0</u>	<u>\$0</u>	<u>\$31</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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$59,155			\$59,155
Intergovernmental Receipts	39,655	\$26,916		66,571
Charges for Services	7,196			7,196
Fines, Licenses, and Permits	5,538	665		6,203
Earnings on Investments	15,795	831		16,626
Miscellaneous	14,438	47	\$22,972	37,457
	<u>141,777</u>	<u>28,459</u>	<u>22,972</u>	<u>193,208</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	75,215			75,215
Public Health Services	3,118			3,118
Leisure Time Activities	16,088			16,088
Basic Utility Services	196			196
Transportation	10,326	24,663		34,989
General Government	53,836			53,836
	<u>158,779</u>	<u>24,663</u>	<u>0</u>	<u>183,442</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(17,002)	3,796	22,972	9,766
Fund Cash Balances, January 1	<u>100,804</u>	<u>14,020</u>	<u>95,115</u>	<u>209,939</u>
Fund Cash Balances, December 31	<u>\$83,802</u>	<u>\$17,816</u>	<u>\$118,087</u>	<u>\$219,705</u>
Reserves for Encumbrances, December 31	<u>\$39</u>	<u>\$0</u>	<u>\$0</u>	<u>\$39</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 - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
	Enterprise	Enterprise
Operating Cash Receipts:		
Charges for Services	\$289,343	\$271,015
Miscellaneous	371	14,144
Total Operating Cash Receipts	289,714	285,159
Operating Cash Disbursements:		
Personal Services	76,969	66,474
Travel Transportation	108	141
Contractual Services	54,077	65,096
Supplies and Materials	22,040	22,242
Capital Outlay	14,459	67,105
Total Operating Cash Disbursements	167,653	221,058
Operating Income	122,061	64,101
Non-Operating Cash Receipts:		
Proceeds from Loan		67,105
Non-Operating Cash Disbursements:		
Debt Service:		
Principal Payments	45,188	36,128
Interest Payments	35,397	37,598
Total Non-Operating Cash Disbursements	80,585	73,726
Net Cash Receipts Over Cash Disbursements	41,476	57,480
Fund Cash Balances, January 1	273,898	216,418
Fund Cash Balances, December 31	\$315,374	\$273,898
Reserves for Encumbrances, December 31	\$621	\$120

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Killbuck, Holmes County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village has contracted with the Holmes County Sheriff's department to provide security of persons and property for the period April 1, 2002 through January 2, 2005.

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 and 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 from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has 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, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 or trust funds). The Village has the following Capital Projects Fund:

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

4. 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 has 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 Council must annually approve the appropriation measure 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. The Village did not encumber all commitments required by Ohio law.

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

**VILLAGE OF KILLBUCK
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 Village's basis of accounting.

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:

	2002	2001
Demand deposits	(\$3,123)	(\$14,089)
Money Market	509,965	507,692
Total deposits	506,842	493,603

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

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	\$116,000	\$115,686	(\$314)
Special Revenue	30,390	28,814	(1,576)
Capital Projects	83,200	23,597	(59,603)
Enterprise	272,000	289,714	17,714
Total	\$501,590	\$457,811	(\$43,779)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,532	\$92,646	\$30,886
Special Revenue	31,300	27,809	3,491
Capital Projects	190,000	75,910	114,090
Enterprise	276,521	248,859	27,662
Total	\$621,353	\$445,224	\$176,129

**VILLAGE OF KILLBUCK
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	\$122,797	\$141,777	\$18,980
Special Revenue	27,787	28,459	672
Capital Projects	86,317	22,972	(63,345)
Enterprise	273,000	352,264	79,264
Total	\$509,901	\$545,472	\$35,571

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$216,929	\$158,818	\$58,111
Special Revenue	41,170	24,663	16,507
Capital Projects	180,000	0	180,000
Enterprise	395,957	294,904	101,053
Total	\$834,056	\$478,385	\$355,671

4. NON-COMPLIANCE

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.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
1988 Ohio Water Development Authority Loan Loan Number 2761/0211 HP	\$99,388	2.00%
1988 Ohio Water Development Authority Loan Loan Number 16541/0805 PW-NR	348,673	8.23%
1993 General Obligation Bonds	41,400	6.00%
1995 Ohio Public Works Commission Loan	31,414	0.00%
Total	\$520,875	

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

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 11 years.

The Ohio Public Works Commission (OPWC) loan also relates to the water plan expansion and update project and is being repaid in semiannual installments of \$1,309 over 13 years.

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

	OWDA Loan No. 2761/0211 HP	OWDA Loan No. 1654/0805 PW-NR	General Obligation Bonds	Ohio Public Works Commission
Year ending December 31:				
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
2006	11,594	54,358	5,256	2,618
2007	11,594	54,358	5,258	2,618
2008-2012	52,171	244,613	26,194	13,088
2013-2015	0	0	5,300	5,236
Total	\$110,141	\$516,403	\$57,750	\$31,414

The Village entered into a contractual agreement for a Wastewater Treatment Plant (WWTP) Improvements and Expansion Loan from the Ohio Water Development Authority (OWDA). Under the terms of the agreement, the OWDA will reimburse allowable costs associated with the Village's WWTP project. The OWDA will capitalize interest and add it to the total amount of the final loan. The WWTP Improvements and Expansion Loan is not finalized. The loan will not have a repayment schedule until the loan is finalized; therefore, it is not included in the above schedule of debt service requirements. The Village's WWTP Improvements and Expansion Loan has a principal balance of \$105,976 at December 31, 2002.

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

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

7. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The 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, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002 and 2001, and have issued our report thereon dated August 11, 2003. 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 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying Schedule of Findings as item 2002-002.

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, we believe the reportable condition described above is not 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 11, 2003.

This report is intended solely for the information and use of the management and Village Council, 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

August 11, 2003

**VILLAGE OF KILLBUCK
HOLMES COUNTY**

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

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

FINDING NUMBER 2002-001

Noncompliance Citation

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 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, provided that the expenditure is otherwise valid.
- If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003), the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council.

During 2002 and 2001, 51% 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.

FINDING NUMBER 2002-002

Reportable Condition – Payroll Disbursements

During 2002 and 2001, we noted the following 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 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 always signed and dated by the departmental supervisor verifying hours worked or 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 with evidence noted in the minute records.
- Employees are not required to complete leave forms when using sick leave or vacation leave.

**FINDING NUMBER 2002-002
(Continued)**

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.

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

**VILLAGE OF KILLBUCK
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; Explain
2000-30938-001	Throughout 2000 and 1999, 23% of expenditures tested were not within appropriations at the object level. 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.	Yes	The Village did not have any instances of expenditures exceeding appropriations during 2002 or 2001.
2000-30938-002	During 2000 and 1999, 27% of expenditures tested were not certified by the Village Clerk prior to incurring the obligations.	No	During 2002 and 2001, 51% of expenditures tested were not properly certified by the Village Clerk prior to incurring the obligations. (See Finding Number 2002-001).
2000-30938-003	Several weaknesses were noted during testing of Cash Reconciliations including: Unreconciled differences existed; Village Clerk used incorrect bank balances; and the Village Clerk did not maintain an itemized list of outstanding checks.	Yes	The Village reconciled and maintained an outstanding check list during 2002 and 2001.
2000-30938-004	Several weaknesses were noted during testing of payroll including: the Clerk not properly maintaining a payroll ledger; time sheets not signed and dated by Clerk; the Clerk not submitting the payroll journal to Village Council for review; employees not required to complete leave forms when using sick or vacation leave; the Clerk recording wrong leave usage; the Clerk not maintaining adequate personnel files; and the Clerk using the wrong sick leave accrual rate.	No	Partially Corrected – During 2002 and 2001, the Clerk did not maintain a payroll ledger; time sheets were not signed and dated by the Clerk and departmental supervisor; the Clerk did not submit the payroll journal to Village Council for review; and employees were not required to complete leave forms when using sick or vacation leave. (See Finding Number 2002-002).

Village of Killbuck
 Holmes County
 Schedule of Prior Audit Findings
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2000-30938-005	Several weaknesses were noted during testing of Mayor's Court receipts and expenditures. The opinion over Mayor's Court activity was qualified.	Unknown	Finding No Longer Valid - Based on the results of preliminary analytics , Mayor's Court Fines and Forfeitures activity was immaterial to the financial statements, and the Mayor's Court ceased operation during the current audit.



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 30, 2003**