

KILLBUCK TOWNSHIP

HOLMES COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2010 & 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of Killbuck Township, Holmes County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 18, 2011

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**KILLBUCK TOWNSHIP
HOLMES COUNTY, OHIO
Audit Report
For the years ended December 31, 2010 & 2009**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Killbuck Township
Holmes County
520 North Main Street
Killbuck, OH 44637

To the Board of Trustees:

We have audited the accompanying financial statements of Killbuck Township, Holmes County, Ohio (the Township) as and for the years ended December 31, 2010 and 2009, as listed in the table of contents. 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.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

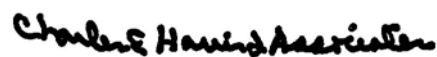
Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for both years. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Killbuck Township, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Charles E. Harris & Associates, Inc.
March 16, 2011

**KILLBUCK TOWNSHIP
HOLMES COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2009**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Permanent Fund	Total
Receipts:				
Property and Other Local Taxes	\$ 11,154	\$ 102,119	-	\$ 113,273
Charges for Services	-	23,804	-	23,804
Intergovernmental	21,633	120,558	-	142,191
Earnings on Investments	60	18	\$ 38	115
Miscellaneous	1,197	2,757	-	3,954
Total Receipts	34,044	249,255	38	283,337
Disbursements:				
Current:				
General Government	52,779	33,362	-	86,141
Public Safety	-	34,220	-	34,220
Public Works	-	102,453	-	102,453
Health	7,450	-	44	7,494
Debt Service:				
Principal	-	45,911	-	45,911
Interest & Fiscal Charges	-	4,376	-	4,376
Total Cash Disbursements	60,229	220,322	44	280,595
Excess of Receipts Over/(Under) Disbursements	(26,185)	28,933	(6)	2,741
Other Financing Sources/(Uses):				
Transfers In	-	5,975	-	5,975
Transfers Out	-	(5,975)	-	(5,975)
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(26,185)	28,933	(6)	2,741
Fund Balance January 1, 2009	3,133	47,410	2,260	52,803
Fund Balance December 31, 2009	\$ (23,052)	\$ 76,343	\$ 2,253	\$ 55,544

See accompanying Notes to the Financial Statements.

**KILLBUCK TOWNSHIP
HOLMES COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2010**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Permanent Fund	Total
Receipts:				
Property and Other Local Taxes	\$ 11,192	\$ 144,912	-	\$ 156,103
Charges for Services	-	21,472	-	21,472
Intergovernmental	38,064	134,970	-	173,034
Earnings on Investments	97	58	\$ 26	181
Miscellaneous	3,010	690	-	3,700
Total Receipts	52,362	302,102	26	354,490
Disbursements:				
Current:				
General Government	51,441	28,317	-	79,758
Public Safety	-	26,442	-	26,442
Public Works	-	140,021	-	140,021
Health	8,076	-	-	8,076
Debt Service:				
Principal	-	77,808	-	77,808
Interest & Fiscal Charges	-	1,631	-	1,631
Total Cash Disbursements	59,517	274,219	-	333,737
Excess of Receipts Over/(Under) Disbursements	(7,155)	27,883	26	20,753
Fund Balance January 1, 2010	(23,052)	76,343	2,253	55,544
Fund Balance December 31, 2010	\$ (30,207)	\$ 104,226	\$ 2,279	\$ 76,298

See accompanying Notes to the Financial Statements.

**KILLBUCK TOWNSHIP
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Killbuck Township, Holmes County, Ohio, (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.

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

C. Cash

The Township maintains all cash in a checking account or in certificates of deposit.

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.

KILLBUCK TOWNSHIP
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Fund Accounting (Continued)

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

3. Permanent Fund

Shrimplin Cemetery 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 requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level, which is the Township's legal 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.

**KILLBUCK TOWNSHIP
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations with individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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:

	2010	2009
Demand Deposits	\$ 74,298	\$ 53,544
Certificates of Deposit	2,000	2,000
Total Deposits	\$ 76,298	\$ 55,544

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

**KILLBUCK TOWNSHIP
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted Vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 37,300	\$ 52,362	\$ 15,062
Special Revenue	304,150	302,102	(2,048)
Permanent Fund	115	26	(89)

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriations	Budgetary Disbursements	Variance
General	\$ 43,348	\$ 59,517	\$ (16,169)
Special Revenue	370,208	274,219	95,989
Permanent Fund	2,000	-	2,000

2009 Budgeted Vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 36,077	\$ 34,044	\$ (2,033)
Special Revenue	286,500	255,230	(31,270)
Permanent Fund	115	38	(77)

2009 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriations	Budgetary Disbursements	Variance
General	\$ 44,375	\$ 60,229	\$ (15,854)
Special Revenue	317,725	226,297	91,428
Permanent Fund	2,300	44	2,256

**KILLBUCK TOWNSHIP
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

4. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Township. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Holmes County Auditors at 35% of appraised market value. All property is required to be revalued every six years.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Holmes County Treasurer collects property taxes on behalf of the Township. The Holmes County Auditor remits the collected taxes to the Township. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

5. DEFINED BENEFIT PENSION PLAN

All 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.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, the Township's OPERS members contributed 10 percent of their gross salaries, respectively. The Township contributed an amount equal to 14 percent, respectively of participants' gross salaries, for each year. The Township has paid all contributions required through December 31, 2010.

**KILLBUCK TOWNSHIP
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During 2010 and 2009, the Township has obtained commercial insurance for the following risks:

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

Separate bonds cover the Township Trustees and Fiscal Officer.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

7. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

8. TRANSFERS

The Township transferred \$5,975 from the FEMA Fund-Special Revenue Fund to the Gas Tax Fund-Special Revenue Fund to reimburse the Gas Tax Fund for cleanup related to remnants of Hurricane Ike.

9. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.39, the Township had appropriations exceeding total estimated resources in various funds.

Also, contrary to Ohio Revised Code Section 5705.10, the Township had a negative cash fund balance in the General fund at December 31, 2009 and December 31, 2010.

Contrary to Ohio Revised Code Section 5705.41(B), the Township had expenditures plus encumbrances exceeding appropriations in various funds.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

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

To the Board of Trustees:

We have audited the financial statements of Killbuck Township, Holmes County Ohio (the Township) as of and for the years ended December 31, 2010 & 2009, and have issued our report thereon dated March 16, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-Killbuck-03 and 2010-Killbuck-04 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-Killbuck-01 described in the accompanying schedule of findings to be a significant deficiency.

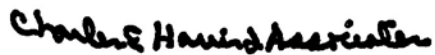
Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect 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 several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described as items 2010-Killbuck-002 through 2010-Killbuck-005.

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

We also noted certain matters that we have reported to management of the Township in a separate letter dated March 16, 2011.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

March 16, 2011

KILLBUCK TOWNSHIP
Holmes County, Ohio
For the Years Ended December 31, 2010 and 2009

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2010-Killbuck-001: Significant Deficiency

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 log 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 has been properly reimbursed. Also, there were no policies regulating gasoline usage.

To help ensure the completeness and accuracy of the amount 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 operated by Township or Volunteer Fire Department officials or employees for Township or Fire Department business.
- The Township Volunteer Fire Department should maintain a gasoline usage log into which is recorded all gasoline pumped. The log should record the following: whether the gasoline is for the Volunteer Fire Department or the Township, the date on which it was pumped, gallons pumped, and the signature of the person pumping gas. From the log, an invoice can be prepared to present to the Township for the gasoline used by the Township.
- Establishment of a billing policy in order for the Volunteer Fire Department to bill the Township for the appropriate amount of gasoline used. (i.e. monthly, quarterly, etc.).

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

Management Response: Management acknowledges the deficiency and is planning to create a policy to correct the situation.

KILLBUCK TOWNSHIP
Holmes County, Ohio
For the Years Ended December 31, 2010 and 2009

SCHEDULE OF FINDINGS – (continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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Finding Number 2010-Killbuck-002 – Non-compliance

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Township obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2010, the following funds' appropriations exceeded total estimated resources:

General Fund (\$29,100)

Special Revenue Funds:

Special Levy Fund (\$29,791)

At December 31, 2009, the following funds' appropriations exceeded total estimated resources:

General Fund (\$5,165)

We recommend that the Township monitor appropriations and estimated resources on a monthly basis.

Management's Response: Management is working on a more efficient and viable record keeping solution with our available resources.

Finding Number 2010-Killbuck-003 – Non-compliance and Material Weakness

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

KILLBUCK TOWNSHIP
Holmes County, Ohio
For the Years Ended December 31, 2010 and 2009

SCHEDULE OF FINDINGS – (continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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Finding Number 2010-Killbuck-003 – Non-compliance and Material Weakness – (continued)

The Ohio Township Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2010, the Township recorded homestead and rollback revenue from the State of Ohio entirely in the General Fund. The homestead and rollback revenue should have been recorded in several funds. This resulted in the overstatement of revenue of \$10,029 in the General Fund and the understatement of revenue in the following Special Revenue Funds: \$2,195 in the Road and Bridge Fund, \$3,972 in 2191 - Special Levy-Fire Fund and \$3,862 in 2192-Special Levy-Fire Fund.

In 2009, the Township recorded homestead and rollback revenue from the State of Ohio entirely in the General Fund and in the Property Tax line item rather than Intergovernmental. This resulted in the overstatement of revenue of \$6,424 in the General Fund–Property Tax line item. Further, the understatement of revenue in the Intergovernmental line item in the following Special revenue funds was: \$2,267 in the Road and Bridge Fund, \$2,680 in 2191 Special Levy-Fund Fund and \$1,477 in 2192-Special Levy-Fire Fund.

Also, in 2009 the Township received a FEMA grant requiring the creation of a Special Revenue fund to track the activity of the grant. The Township did not create this FEMA Fund, but recorded it in Miscellaneous Revenue of the General Fund.

For all the above, adjustments were made in the financial statements to reflect the proper presentation and the Township has adjusted their records.

We recommend that the Township refer to the Ohio Township Handbook and the UAN accounting system to properly classify its accounts. We also recommend that the Township record all homestead and rollback revenue and state grants in the appropriate funds and revenue line items.

Management Response: Management agrees and will properly classify its accounts with the appropriate revenue line items.

KILLBUCK TOWNSHIP
Holmes County, Ohio
For the Years Ended December 31, 2010 and 2009

SCHEDULE OF FINDINGS – (continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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Finding Number 2010-Killbuck-004 – Non-compliance and Material Weakness

Ohio Rev. Code §505.24(C) allows the allocation of township trustee per diem costs or salaries to funds other than the General Fund. However, 2004 OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from the restricted funds.

The Township recorded four months of the trustees’ salaries in General Fund, one month of trustees’ salaries in the Motor Vehicle License Tax Fund, six months of the trustees’ salaries in the Gasoline Tax Fund, and one month of the trustees’ salaries in the Road & Bridge Fund. Further, since the trustees did not document their time, their salaries may not be allocated to the Special Revenue Funds. All Trustee salaries must be paid from the General Fund.

The financial statements and the Township’s records have been adjusted to reflect the proper activity. Due to the above adjustments, the General had a negative cash fund balance at December 31, 2009 (\$23,052) and December 31, 2010 (\$30,207), which is contrary to Ohio Rev. Code Section 5705.10, Revised Code, which prohibits the Township from having negative cash fund balances.

We recommend that the Township pay Trustee salaries only from the funds allowed by Ohio Revised Code section 505.24(c) and/or to track their work time using timesheets/logs. Also, we recommend they monitor their fund balances on a monthly basis and to transfer to funds with negative balances.

Management Response: The Township will monitor fund balances on a continuous basis to avoid negative balances.

KILLBUCK TOWNSHIP
Holmes County, Ohio
For the Years Ended December 31, 2010 and 2009

SCHEDULE OF FINDINGS – (continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)

Finding Number 2010-Killbuck-005 – Non-compliance

Ohio Revised Code Section 5705.41 (B) provides, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. Total expenditures plus encumbrances exceeded total appropriations in the following fund:

Year	Fund	Expenditures plus Encumbrances	Total Appropriations	Variance
2010	General Fund	\$ 59,517	\$ 43,348	\$ (16,169)
2009	General Fund	60,229	44,375	(15,854)

We recommend that management monitor the budgetary process more closely in the future to avoid expenditures that exceed the appropriations.

Management Response: The above violation was caused by the adjustments from findings 003 and 004. Management will monitor trustee salaries and receipt postings. Also, we will monitor expenditures versus appropriations more closely.

KILLBUCK TOWNSHIP
Holmes County, Ohio
For the Years Ended December 31, 2010 and 2009

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:
2008-Killbuck-001	Significant Deficiency – Volunteer Fire Dept gasoline pump used by Township. Usage by Township could not be determined.	No	Repeated to Finding 2010-Killbuck-001



Dave Yost • Auditor of State

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
MAY 31, 2011**