



**Auditor of State
Betty Montgomery**

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

Village of Kimbolton
Guernsey County
71149 Old 21 Road
Kimbolton, Ohio 43749

To the Members of the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 28, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Kimbolton
Guernsey County
71149 Old 21 Road
Kimbolton, Ohio 43749

To the Village Council:

We have audited the accompanying financial statements of the Village of Kimbolton, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2004, 2003 and 2002. 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 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 Village 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 Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (2003 and 2002), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village 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 Village has elected not to reformat its statements. Since this Village 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 December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Kimbolton, Guernsey County, as of December 31, 2004, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village surrendered its corporate powers to Liberty Township, effective April 2005, see Note 8.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village 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 June 28, 2005, 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 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 the 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.



Betty Montgomery
Auditor of State

June 28, 2005

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$1,970	\$722	\$2,692
Intergovernmental	8,346	7,912	16,258
Earnings on Investments	68	66	134
Other Revenue	290		290
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	10,674	8,700	19,374
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	14,865		14,865
Security of Persons and Property	2,112	657	2,769
Transportation		1,513	1,513
Capital Outlay	44,359		44,359
Debt Service:			
Redemption of Principal	4,660		4,660
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	65,996	2,170	68,166
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(55,322)	6,530	(48,792)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	64,656		64,656
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	64,656		64,656
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements	9,334	6,530	15,864
Fund Cash Balances, January 1	4,689	17,587	22,276
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$14,023	\$24,117	\$38,140
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$2,123	\$660	\$2,783
Intergovernmental	8,582	8,593	17,175
Earnings on Investments	46	46	92
Other Revenue	201		201
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	10,952	9,299	20,251
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	6,680		6,680
Security of Persons and Property	1,683	634	2,317
Public Health Services	1,465		1,465
Transportation		2,514	2,514
Debt Service:			
Redemption of Principal	59		59
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	9,887	3,148	13,035
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	1,065	6,151	7,216
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	3,624	11,436	15,060
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$4,689	\$17,587	\$22,276
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$700
Total Operating Cash Receipts	700
Operating Cash Disbursements:	
Current:	
Personal Services	1,286
Total Operating Cash Disbursements	1,286
Operating Income/Loss	(586)
Non-Operating Cash Disbursements:	
Debt Service	215
Total Non-Operating Cash Disbursements	215
Net Cash Receipts Over/(Under) Cash Disbursements	(801)
Fund Cash Balances, January 1	801
Fund Cash Balances, December 31	\$0

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

**VILLAGE OF KIMBOLTON
GUERNSEY 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>	
Cash Receipts:			
Local Taxes	\$2,073	\$638	\$2,711
Intergovernmental	8,342	5,727	14,069
Earnings on Investments	58	58	116
Other Revenue	1,150		1,150
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	11,623	6,423	18,046
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	11,265		11,265
Security of Persons and Property	1,554	796	2,350
Public Health Services	549		549
Transportation		4,099	4,099
Debt Service:			
Redemption of Principal	137		137
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	13,505	4,895	18,400
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,882)	1,528	(354)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	5,506	9,908	15,414
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$3,624</u>	<u>\$11,436</u>	<u>\$15,060</u>

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$5,612
Total Operating Cash Receipts	5,612
Operating Cash Disbursements:	
Personal Services	935
Contractual Services	6,373
Supplies and Materials	109
Total Operating Cash Disbursements	7,417
Operating Income/Loss	(1,805)
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	501
Total Non-Operating Cash Receipts	501
Non-Operating Cash Disbursements:	
Debt Service	137
Other Non-Operating Disbursements	2,486
Total Non-Operating Cash Disbursements	2,623
Net Cash Receipts Over/(Under) Cash Disbursements	(3,927)
Fund Cash Balances, January 1	4,728
Fund Cash Balances, December 31	\$801

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

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**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kimbolton, Guernsey County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities. The Village contracts with the Liberty Community Volunteer Fire Department to provide fire protection for the Village.

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

The Village surrendered its corporate powers to Liberty Township, effective April 2005. See Note 8.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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 KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility. The Water Fund ceased operations in January 2003.

D. 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004, 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	2004	2003	2002
Demand deposits	\$38,140	\$22,276	\$15,861

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004, 2003 and 2002 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$75,330	\$75,330
Special Revenue	0	8,700	8,700
Total	\$0	\$84,030	\$84,030

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$65,996	(\$65,996)
Special Revenue	0	2,170	(2,170)
Total	\$0	\$68,166	(\$68,166)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$10,952	\$10,952
Special Revenue	0	9,299	9,299
Enterprise	0	700	700
Total	\$0	\$20,951	\$20,951

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$9,887	(\$9,887)
Special Revenue	0	3,148	(3,148)
Enterprise	0	1,501	(1,501)
Total	\$0	\$14,536	(\$14,536)

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$11,623	\$11,623
Special Revenue	0	6,423	6,423
Enterprise	0	6,113	6,113
Total	\$0	\$24,159	\$24,159

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$13,505	(\$13,505)
Special Revenue	0	4,895	(4,895)
Enterprise	0	10,040	(10,040)
Total	\$0	\$28,440	(\$28,440)

The certification of availability of unencumbered appropriations for expenditure was not made prior to purchase commitments being incurred, contrary to Section 5705.41(D), of the Ohio Revised Code. As a result, there were no encumbrances to report on the financial statements and outstanding purchase commitments are not included in budgetary disbursements shown above.

Contrary to Ohio Rev. Code Section 5705.36, the Village did not obtain an amended official certificate of estimated resources for 2004, 2003 or 2002.

Contrary to Ohio Rev. Code Section 5705.38, the Village did not adopt appropriations for 2004, 2003, or 2002 and, therefore, expenditures were made without appropriations, contrary to Ohio Rev. Code Section 5705.41(B).

4. PROPERTY TAX

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

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

5. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Village contributed an amount equaling 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. CONTINGENT LIABILITIES

As of the date of this report, the Village has no pending or threatened litigation.

8. SUBSEQUENT EVENTS

The Village electorate voted in March 2004 to surrender the corporate powers of the Village of Kimbolton to the Liberty Township Trustees. Proceedings to dissolve the Village could not begin until a lawsuit filed in Guernsey County Court of Common Pleas, case number 04-CV-73, wherein issues had been raised by parties to a certain real estate transaction that involved the Village of Kimbolton.

This matter was resolved in April 2005 and the case dismissed. The Village legal counsel completed filing requirements with the Ohio Secretary of State and the Guernsey County Recorder concerning the dissolution of the Village. The Village Clerk wrote a check, representing all Village cash to Liberty Township, Guernsey County on April 29, 2005 to surrender the corporate powers to Liberty Township.

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Auditor of State Betty Montgomery

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

Village of Kimbolton
Guernsey County
71149 Old 21 Road
Kimbolton, Ohio 43749

To the Village Council:

We have audited the financial statements of the Village of Kimbolton, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2004, 2003 and 2002, and have issued our report thereon dated June 28, 2005, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribed rather than accounting principles generally accepted in the United States of America. We also noted the Village transferred its corporate powers to Liberty Township in April 2005. 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 of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-002 and 2004-009.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 considered material weaknesses. We consider reportable conditions 2004-002 and 2004-009 listed above to be material weaknesses. In a separate letter to the Village's management dated June 28, 2005, we reported another matter involving internal control over financial reporting which we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-009. In a separate letter to the Village's management dated June 28, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 28, 2005

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate - Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to purchase commitment for 100% of expenditures in 2004, 2003 and 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 733.28 provides, in part, that the village clerk shall keep accurate statements of all monies received and expended by the village. In addition, Ohio Rev. Code Section 117.38 states that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall contain, in part, the amount of collections and receipts, and accounts due from each source along with the amount of expenditure for each purpose.

To ensure proper recording and reporting of financial information, Ohio Admin. Code Section 117-2-02 provides the following:

- All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code;
- All public offices should integrate the budgetary account, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations;
- Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts as required by Section 5705.41(D) of the Ohio Revised Code;
- A cash journal, which typically contains the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction, should be used to maintain accounting records;
- A receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses, should be used to maintain accounting records. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger;
- An appropriation ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution should be used to maintain accounting records. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns; and
- A payroll ledger should be maintained by all local public offices, which includes entries that assemble and classify by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-002 (Continued)

Noncompliance Citation and Material Weakness – Ohio Rev. Code Section 733.28 (Continued)

The Village did not maintain all ledger and journals required under Ohio Administrative Code. The ledgers and journals that were maintained were not consistently or completely posted.

As a result, the Village did not maintain an accounting system and accounting records sufficient to enable the Village to properly classify their receipt and disbursement transactions. The Village Council and the Clerk did not establish methods to monitor expenditures and revenues compared to budgeted appropriations and receipts. The Village did not file amended certificates of estimated resources when needed nor did it appropriate funds prior to making disbursements. In addition, the Village Clerk did not maintain a payroll ledger.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(1) provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

The Village did not certify the total amount from all sources which was available for expenditure to the County Auditor for 2002, 2003, or 2004. Consequently, the Village did not obtain an amended official certificate of estimated resources from the County Budget Commission for 2002, 2003, or 2004.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) provides that on or about the first day of each fiscal year, an appropriation measure is to be passed by the taxing authority, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not adopt an appropriation measure for 2002, 2003, or 2004.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2004-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

The Village did not adopt an appropriation measure for 2002, 2003, or 2004.

FINDING NUMBER 2004-006

Noncompliance Citation

26 U.S.C Section 3402(a)(1) requires that every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury. The employer is required to submit the employees' withholdings to the Internal Revenue Service either monthly or quarterly, depending on the monthly gross wages.

The Village Clerk did not deduct and withhold federal income tax from any officials or employees wages during the audit period.

26 U.S.C Section 3102(a) requires that Medicaid be deducted from the compensation of employees hired after April 1, 1986 and be remitted to the Internal Revenue Service.

Medicare tax was deducted and withheld for officials and most employees after April 1, 1986; however, the Medicare tax was not remitted to the Internal Revenue Service as required by 26 U.S.C. Section 3102(a).

We recommend Liberty Township consult with its legal counsel or a qualified tax expert to determine if it is responsible for paying this liability.

FINDING NUMBER 2004-007

Noncompliance Citation

Ohio Rev. Code Section 145.03(A) states a public employees retirement system is hereby created for the public employees of the state and of the several local authorities mentioned in Section 145.01 of the Revised Code. Except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues. Section 145.03(B) provides that if applicable, an election to be exempted from membership or contribution shall be made by signing a written application for exemption within the first month after being employed and filing the application with the Public Employees Retirement System Board.

PERS exemption forms were not on file for Village officials or employees who did not contribute to PERS. Ohio Rev. Code Section 145.03(B) requires employees to sign a written application for exemption within the first month of employment. PERS was not paid during the audit period for any Village officials or employees.

We recommend Liberty Township obtain these forms from any former Village employee the Township now employs.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2004-008

Noncompliance Citation

Ohio Rev. Code Section 731.141 provides that all contracts made by the legislative authority of a municipal government for material and labor which exceed \$25,000 are subject to competitive bidding procedures. Prior to September 26, 2003, the threshold limit for competitive bidding was \$15,000, which meant that all contracts made by the legislative authority of a municipal government for material and labor which exceeded \$15,000 were subject to competitive bidding procedures.

During 2004, the Village purchased a Dump Truck for \$44,359 from Cambridge Classic Ford without using competitive bidding procedures. Per the invoice, the purchaser was listed as Liberty Township, Guernsey County, but the contract was signed by the Mayor. The title was not presented for audit, but according to legal counsel, the dump truck was titled in the name of Liberty Township, Guernsey. The Township would retain possession upon eventual dissolution of the Village.

FINDING NUMBER 2004-009

Noncompliance Citation/Material Weakness

Ohio Admin. Code Section 117-2-01(A) provides all public offices are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for the respective public offices in certain categories. Ohio Admin. Code Section 117-2-02(B)(1) states "internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting; (2) effectiveness and efficiency of operations; (3) compliance with applicable laws and regulations; and (4) safeguarding of assets. That includes maintaining sufficient documentation for all transactions.

During our review of the Village's disbursement system, we noted the following conditions:

1. The Village did not consistently provide source documents to support disbursements, increasing the risk for the existence assertion.
2. Payroll withholding taxes were not always remitted to the applicable agencies.
3. Bank reconciliations were not consistently or accurately completed, increasing the risk of the valuation assertion.

These conditions weaken the internal control structure and could allow errors to occur and not be detected in a timely manner.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004, 2003 and 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2001-31030-001	Ohio Rev. Code Section 5705.41(D) failure to certify funds	No	Not Corrected; reissued as Finding 2004-001.
2001-31030-002	Ohio Rev. Code Section 5705.38- appropriation measure	No	Not Corrected; reissued as Finding 2004-004.
2001-31030-003	Ohio Rev. Code Section 5705.41(B)- expenditures exceeding appropriations	No	Not Corrected; reissued as Finding 2004-005.
2001-31030-004	Ohio Rev. Code 5705.09-Enterprise fund not established	Yes	
2001-31030-005	Ohio Rev. Code Section 5705.10- negative fund balances	Yes	
2001-31030-006	Ohio Rev. Code Section 5705.36- certificates of estimated resources not filed	No	Not Corrected; reissued as Finding 2004-003.
2001-31030-007	Material Weakness- Payroll Withholdings	No	Not corrected; reissued as part of Findings 2004-006 and 2004-007.
2001-31030-008	Ohio Admin Code Section 117-2- appropriations ledger	No	Not corrected; reissued as a part of Finding 2004-002.
2001-31030-009	Ohio Admin Code Section 117-2- receipts ledger	No	Not corrected; reissued as a part of Finding 2004-002.
2001-31030-010	Reportable Condition-Review of financial data	No	Partially corrected.



**Auditor of State
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VILLAGE OF KIMBOLTON

GUERNSEY 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
AUGUST 4, 2005**