



**Auditor of State
Betty Montgomery**

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

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

To 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.

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Betty Montgomery
Auditor of State

August 1, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We were engaged to audit the financial statement of the Village of Kimbolton, Guernsey County, Ohio (the Village), as of and for the period January 1, 2005 through April 30, 2005. This financial statement is the responsibility of the Village's management.

The Village did not provide supporting documentation for a significant number of receipts or disbursements to allow us to determine the completeness, occurrence, allocation, and rights and obligations of receipts and disbursements during the audit period, nor were we able to apply alternative auditing procedures to satisfy ourselves as to the completeness, occurrence, allocation and rights and obligations of receipts and disbursements, the scope of our work was not sufficient to enable us express, and we do not express, an opinion on the 2005 financial statement.

As described more fully in Note 1, the Village has prepared this financial statement 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 statement 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 period ended April 30, 2005. Instead of the combined funds the accompanying financial statement presents for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. 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 statement referred to above for period ended April 30, 2005 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of April 30, 2005, or the change in financial position for the period then ended.

Because of the effects of the matters discussed in paragraph two, the scope of our audit was not sufficient to enable us to express, and we do not express an opinion on the 2005 financial statement.

The Village surrendered its corporate powers to Liberty Township, Guernsey County, effective April 30, 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 period ended April 30, 2005. 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 August 1, 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.

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 1, 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 PERIOD ENDED APRIL 30, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Receipts	\$0	\$1,409	\$1,409
Earnings on Investments	50		50
Miscellaneous	200		200
Total Cash Receipts	<u>250</u>	<u>1,409</u>	<u>1,659</u>
Cash Disbursements:			
Current:			
General Government	<u>14,273</u>	<u>25,526</u>	<u>39,799</u>
Total Cash Disbursements	<u>14,273</u>	<u>25,526</u>	<u>39,799</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(14,023)</u>	<u>(24,117)</u>	<u>(38,140)</u>
Fund Cash Balances, January 1	<u>14,023</u>	<u>24,117</u>	<u>38,140</u>
Fund Cash Balances, April 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

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**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
APRIL 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Kimbolton, Guernsey County (the Village), as a body corporate and politic. 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 this financial statement presents 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

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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).

This statement includes 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 STATEMENT
APRIL 30, 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Village Council 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 2005 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:

	4/30/2005
Demand deposits	<u>\$0</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
APRIL 30, 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the period ending April 30, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$250	\$250
Special Revenue	0	1,409	1,409
Total	\$0	\$1,659	\$1,659

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$14,273	(\$14,273)
Special Revenue	0	25,526	(25,526)
Total	\$0	\$39,799	(\$39,799)

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not obtain prior certification for any expenditure in 2005.

Contrary to Ohio Revised Code Section 5705.36(A)(1), the Village did not obtain an amended official certificate of estimated resources for 2005.

Contrary to Ohio Revised Code Section 5705.38(A), the Village did not adopt appropriations for 2005, therefore, expenditures were made without appropriations, contrary to Ohio Revised 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 STATEMENT
APRIL 30, 2005
(Continued)**

5. RETIREMENT SYSTEM

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.

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 check number 5757, in the amount of \$32,233.39, representing all Village cash to Liberty Township, Guernsey County, on April 30, 2005 to surrender the corporate powers to Liberty Township.



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 were engaged to audit the accompanying financial statement of the Village of Kimbolton, Guernsey County, Ohio (the Village), as of and for the period ended April 30, 2005, and have issued our report thereon dated August 1, 2005, wherein we noted the Village prepared its financial statement using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. In addition, we expressed no opinion on the 2005 financial statement since the Village did not provide source documentation for receipts and disbursements.

Internal Control Over Financial Reporting

Our engagement was not designed to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider 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 2005-002 and 2005-008.

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 2005-002 and 2005-008 listed above to be material weaknesses.

Compliance and Other Matters

As part of our engagement, we tested the Village's 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 engagement 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 2005-001 through 2005-008.

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www.auditor.state.oh.us

We intend this report solely for the information and use of management and the Village Council. It is not intended for 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 1, 2005

VILLAGE OF KIMBOLTON
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
APRIL 30, 2005

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

FINDING NUMBER 2005-001

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 2005. 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
APRIL 30, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-002

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 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
APRIL 30, 2005
(Continued)

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

FINDING NUMBER 2005-002 (Continued)

Noncompliance Citation and Material Weakness (Continued)

The Village did not maintain all ledger and journals required by the 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 2005-003

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 County 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 2005. Consequently, the Village did not obtain an amended official certificate of estimated resources from the County Budget Commission for 2005.

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 2005.

**VILLAGE OF KIMBOLTON
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
APRIL 30, 2005
(Continued)**

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

FINDING NUMBER 2005-005

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 2005.

FINDING NUMBER 2005-006

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.

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.

The Village Clerk did not deduct and withhold federal income tax from any officials or employees wages during the audit period. 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. § 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 2005-007

Noncompliance Citation

Ohio Revised 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 board.

PERS exemption forms were not on file for Village officials or employees who did not contribute to PERS. Ohio Revised Code § 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
APRIL 30, 2005
(Continued)**

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

FINDING NUMBER 2005-008

Noncompliance Citation and Material Weakness

Ohio Administrative 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 Administrative Code Section 117-2-01(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
APRIL 30, 2005**

<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; <i>Explain:</i>
2004-001	Ohio Rev. Code Section 5705.41(D) failure to certify funds	No	Not Corrected; reissued as finding 2005-001
2004-002	Ohio Rev. Code Section 733.28 clerk keep accurate records	No	Not Corrected; reissued as finding 2005-002
2004-003	Ohio Rev. Code Section 5705.36(A)(1) certify amount available to county auditor	No	Not Corrected; reissued as finding 2005-003
2004-004	Ohio Rev. Code Section 5705.38(A) Annual appropriation measure	No	Not Corrected; reissued as finding 2005-004
2004-005	Ohio Rev. Code Section 5705.41(B) expenditure exceed appropriations	No	Not Corrected; reissued as finding 2005-005
2004-006	26 USC Section 3402(a)(1) remittance of federal income tax	No	Not Corrected; reissued as finding 2005-006
2004-007	Ohio Rev. Code Section 145.03(A) remittance of PERS Withholdings	No	Not corrected; reissued as finding 2005-007
2004-008	Ohio Rev. Code Section 731.141 competitive bidding	Yes	Finding No Longer Valid; no bid contracts in audit period
2004-009	Ohio Admin Code Section 117-2-01(A) Internal control	No	Not corrected; reissued as finding 2004-008



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 6, 2005**