



Dave Yost • Auditor of State

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings	30

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Killbuck Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Basis for Qualified Opinion

Charges for Services related to the Chip & Seal program are reported at \$5,000 and \$5,891 for the years ended December 31, 2012 and 2011, respectively, which are 16 percent of the Special Revenue Fund Charges for Services receipts for the year ended December 31, 2012, and 31 percent of Special Revenue Fund Charges for Services receipts for the year ended December 31, 2011. We were unable to obtain sufficient appropriate audit evidence supporting these amounts recorded as Special Revenue Fund Charges for Services receipts. Consequently, we were unable to determine where any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Killbuck Township, Holmes County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Killbuck Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 8, 2013

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**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$10,846	\$141,659			\$152,505
Charges for Services		30,347			30,347
Intergovernmental	59,728	132,245			191,973
Earnings on Investments	133	13		\$11	157
Miscellaneous	1,230	37,192			38,422
<i>Total Cash Receipts</i>	<u>71,937</u>	<u>341,456</u>		<u>11</u>	<u>413,404</u>
Cash Disbursements					
Current:					
General Government	86,840	44,845			131,685
Public Safety		76,738			76,738
Public Works		138,336			138,336
Health	8,638				8,638
Capital Outlay		5,832	\$27,235		33,067
Debt Service:					
Principal Retirement			4,000		4,000
Interest and Fiscal Charges			3,169		3,169
<i>Total Cash Disbursements</i>	<u>95,478</u>	<u>265,751</u>	<u>34,404</u>		<u>395,633</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,541)</u>	<u>75,705</u>	<u>(34,404)</u>	<u>11</u>	<u>17,771</u>
Other Financing Receipts					
Sale of Notes			30,000		30,000
<i>Total Other Financing Receipts</i>			<u>30,000</u>		<u>30,000</u>
<i>Net Change in Fund Cash Balances</i>	(23,541)	75,705	(4,404)	11	47,771
<i>Fund Cash Balances, January 1</i>	<u>(58,746)</u>	<u>158,990</u>	<u>0</u>	<u>2,294</u>	<u>102,538</u>
Fund Cash Balances, December 31					
Nonspendable		3,000		2,000	5,000
Restricted		231,695		305	232,000
Unassigned (Deficit)	(82,287)		(4,404)		(86,691)
<i>Fund Cash Balances, December 31</i>	<u>(\$82,287)</u>	<u>\$234,695</u>	<u>(\$4,404)</u>	<u>\$2,305</u>	<u>\$150,309</u>

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

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$10,980	\$145,324		\$156,304
Charges for Services		18,785		18,785
Intergovernmental	21,984	122,569		144,553
Earnings on Investments	121	52	\$15	188
Miscellaneous	151	14,424		14,575
<i>Total Cash Receipts</i>	<u>33,236</u>	<u>301,154</u>	<u>15</u>	<u>334,405</u>
Cash Disbursements				
Current:				
General Government	51,839	38,392		90,231
Public Safety		62,165		62,165
Public Works		144,660		144,660
Health	9,936			9,936
Capital Outlay		1,173		1,173
<i>Total Cash Disbursements</i>	<u>61,775</u>	<u>246,390</u>		<u>308,165</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,539)</u>	<u>54,764</u>	<u>15</u>	<u>26,240</u>
<i>Net Change in Fund Cash Balances</i>	(28,539)	54,764	15	26,240
<i>Fund Cash Balances, January 1</i>	<u>(30,207)</u>	<u>104,226</u>	<u>2,279</u>	<u>76,298</u>
Fund Cash Balances, December 31				
Nonspendable		2,000	2,000	4,000
Restricted		142,518	294	142,812
Committed		14,472		14,472
Unassigned (Deficit)	<u>(58,746)</u>			<u>(58,746)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$58,746)</u></u>	<u><u>\$158,990</u></u>	<u><u>\$2,294</u></u>	<u><u>\$102,538</u></u>

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

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Primary Government

The constitution and laws of the State of Ohio establish the rights and privileges of the Killbuck Township, Holmes County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Component Unit

The Killbuck Township Volunteer Fire Department (the Fire Department) is governed by a sixteen member executive committee which, in association with the Township Trustees, oversees the operation of the Fire Department. Volunteers with a minimum of one year of service qualify for membership on the executive committee. The Fire Department provides fire protection and rescue services to Killbuck Township and to areas outside of the Township. The Township owns the Fire Department's equipment and any debt associated with that equipment. Based on the relationship with the Township, the Fire Department is considered a component unit of the Township. Note 9 provides additional information for the Fire Department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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:

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had 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.

Fire Levy Fund – This fund receives property tax money to pay for providing and maintaining fire apparatus, buildings, ambulance equipment, and fire and ambulance services.

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Obligation Debt Service – This fund is used to account for the retirement of the Village's debt.

4. Permanent Fund

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$148,309	\$100,538
Certificates of deposit	2,000	2,000
Total deposits	150,309	102,538

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

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,250	\$71,937	\$15,687
Special Revenue	286,655	341,456	54,801
Debt Service		30,000	30,000
Permanent	96	11	(85)
Total	\$343,001	\$443,404	\$100,403

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,065	\$95,478	(\$44,413)
Special Revenue	387,587	265,751	121,836
Debt Service		34,404	(34,404)
Permanent	90		90
Total	\$438,742	\$395,633	\$43,109

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,850	\$33,236	(\$21,614)
Special Revenue	302,100	301,154	(946)
Permanent	300	15	(285)
Total	\$357,250	\$334,405	(\$22,845)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,850	\$61,775	(\$6,925)
Special Revenue	302,100	246,390	55,710
Permanent	300		300
Total	\$357,250	\$308,165	\$49,085

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

3. Budgetary Activity (Continued)

Contrary to Ohio Rev. Code 5705.40, supplemental appropriations were not approved by Township Trustees.

Contrary to Ohio Rev. Code 5705.41(D), the Township did not properly certify 20% of expenditures subject to testing.

Contrary to Ohio Rev. Code Section 5705.10 (C), motor vehicle expense credit revenue was posted to the General Fund rather than the Road & Bridge Fund.

Contrary to Ohio Rev. Code 5705.10(H), throughout 2012, the General Fund, the Motor Vehicle License Tax Fund, and Gasoline Tax Fund had cash deficit balances ranging from (\$28) to (\$3,714). Additionally, throughout 2011, the General Fund had cash deficit balances ranging from (\$4,494) to (\$34,969).

Contrary to Ohio Rev. Code 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund and Road & Bridge Fund by (\$43,826) and (\$941), respectively for the year ended December 31, 2012. Additionally, budgetary expenditures exceeded appropriation authority in the Motor Vehicle License Tax Fund, Gasoline Fund, and Road & Bridge Fund by (\$2,733), (\$6,326), and (\$6,130), respectively for the year ended December 31, 2011

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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 Township.

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Note	\$26,000	5.00%
Capital Lease	\$110,733	3.52%
	<u>\$136,733</u>	

The Township issued a bond anticipation note to finance the construction of a building and acquiring equipment for Township road maintenance and capital lease for a fire truck.

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

5. Debt (Continued)

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

Year ending December 31:	Bond Anticipation	
	Note	Capital Lease
2013	\$9,300	\$20,641
2014	8,900	21,368
2015	10,500	22,120
2016		22,899
2017		23,705
Total	<u>\$28,700</u>	<u>\$110,733</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

8. Related Party Transactions

A certain Township Trustee approved the annual salary ordinance of his son, who is a full time employee of the Township. Additionally, this Township Trustee signed the full time employee's payroll checks and timesheets. The full time employee was compensated \$32,284 and \$32,101 in 2012 and 2011, respectively.

Additionally, another Township Trustee approved and signed checks to pay for electrical work performed by his son. During 2012 and 2011, the payments totaled \$1,278 and \$594, respectively.

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

9. Killbuck Township Volunteer Fire Department

As indicated in Note 1 to the financial statements, the following disclosure is made on behalf of the Killbuck Township Volunteer Fire Department (the Fire Department); The Fire Department is governed by an executive committee that, in association with the Township Trustees, oversees the operation of the Fire Department. The Fire Departments' grant activity and equipment and maintenance expenses are accounted for on the Township's financial accounting system. However, the Fire Department also receives private donations and fundraiser contributions which do not flow through the Township's financial accounting system. In 2012, activity of the Fire Department that was not accounted for in the Township's financial ledgers included receipts totaling \$14,789 from donations, fundraisers, and interest as well as expenses of \$16,337, leaving an ending bank balance of \$12,416. In 2011, activity of the Fire Department that was not accounted for in the Township's financial ledgers included receipts totaling \$5,171 from donations, fundraisers, and interest as well as expenses of \$4,870, leaving an ending bank balance of \$14,207.

Financial statements can be obtained from Justin Klein, Treasurer, Killbuck Township Volunteer Fire Department, 310 N. Main Street, PO Box 393, Killbuck, Ohio 44637.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Killbuck Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 8, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We qualified our report due to the lack of supporting documentation for the chip and seal portion of charge for services. We further noted the Township adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-001 through 2012-006 and 2012-013, 2012-015 and 2012-017 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-014, 2012-016 and 2012-018 described in the accompanying Schedule of Findings to be significant deficiencies.

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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-012.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 8, 2013

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Ohio Rev. Code Section 5705.40

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation. Additionally, **Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit to expend money unless it has been appropriated.

During 2012 and 2011, the Fiscal Officer amended appropriations in the Uniform Accounting Network (UAN) without the required approval of the Board of Trustees. The original appropriations and modifications to those appropriations were reported on the expenditures ledgers in UAN causing the following differences:

Fund & Year	Appropriations recorded on the Annual Appropriation Measure	Appropriations recorded in the UAN system	Variance
General Fund 2012	\$51,065	\$96,165	(\$45,100)
Special Revenue Fund 2012	\$387,587	\$397,816	(\$10,229)
Special Revenue Fund 2011	\$302,100	\$360,100	(\$58,000)

As a result, certain budgetary reports generated from the UAN computer system did not reflect approved estimated resources or appropriations.

The Fiscal Officer should implement procedures to ensure budgetary activity approved by the Board of Trustees is reconciled to the UAN computer system. Also, the Fiscal Officer should submit all appropriation amendments to the Board of Trustees for approval. This will allow the Board of Trustees to properly monitor the Township's finances.

The financial statements have been adjusted accordingly.

2. Ohio Rev. Code Sections 505.24(C) and 507.09(C)

<i>Finding Number</i>	2012-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 505.24 (C) and **Ohio Rev. Code Section 507.09 (C)** set forth the method by which Township trustees' and Fiscal Officer's compensation should be allocated, respectively. These sections provide that the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee or fiscal officer if the trustee and fiscal officer were paid on a salary basis as specified in this division, and shall be paid only from the township general fund or from funds in proportions as the board may specify by resolution.

In addition, **2004 Op. Att'y Gen. No. 2004-036** requires the trustees and fiscal officer to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered when trustee and fiscal officer salaries are not paid from the general fund. 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 or fiscal officer do not document their time, then no part of salaries may be paid from these other funds.

During 2011, the Township paid the Trustee's salaries, state and federal withholdings and PERS as follows: one month from the General Fund, one month from the Motor Vehicle Fund, seven months from the Gas Tax Fund, and three months from the Road & Bridge Fund. The Township did pass a resolution as required on December 20, 2010; however, the Trustees did not maintain supporting documentation to justify the salaries totaling \$20,161 as paid from the Motor Vehicle Fund (\$1,845), Gas Tax Fund (\$12,839), and the Road & Bridge Fund (\$5,477) for the Trustee's wages. Also during 2011, the Township paid the Fiscal Officer's salary as follows: four months from the General Fund and eight months from the Fire Levy Fund. The resolution passed regarding the Fiscal Officer's salary stated the entire salary would be paid from the General Fund. The Fiscal Officer did not maintain supporting documentation to justify the wages totaling \$7,402 paid from the Fire Levy Fund. Additionally, state, federal and PERS withholdings associated with the Trustee's and Fiscal Officer's salaries should have been paid from the General Fund. The 2010 state, federal and PERS withholdings paid in 2011 from the Motor Vehicle Fund, Gas Tax Fund and Road & Bridge Fund were \$518, \$6,792 and \$518, respectively, for a total of \$7,828. Since documentation was not maintained, the entire Trustee's and Fiscal Officer's salaries, state and federal withholding and PERS should have been paid from the General Fund.

During 2012, the Township paid the Trustee's salaries as follows: three months from the Motor Vehicle Fund, eight months from the Gas Tax Fund, and one month from the Road & Bridge Fund. The Township did pass a resolution as required on December 12, 2011; however, the Trustees did not maintain supporting documentation to justify the wages totaling \$21,907 as paid from the Motor Vehicle Fund (\$5,477), Gas Tax Fund (\$14,604), and the Road & Bridge Fund (\$1,826) for the Trustee's wages. Also during 2012, the Township paid the Fiscal Officer's salary as follows: ten months from the General Fund and two months from the Fire Levy Fund. The resolution passed regarding the Fiscal Officer's salary stated the entire salary would be paid from the General Fund. The Fiscal Officer did not maintain supporting documentation to justify the wages totaling \$1,851 paid from the Fire Levy Fund. The 2011 state, federal and PERS withholdings paid in 2012 from the Motor Vehicle Fund, Gas Tax Fund, Road & Bridge Fund and Fire Fund were \$1,531, \$953, \$2,597 and \$157, respectively, for a total of \$5,238. Since documentation was not maintained, the entire Trustee's and Fiscal Officer's salaries, state and

federal withholdings and PERS should have been paid from the General Fund.

Recently enacted House Bill 153 has modified **Ohio Rev. Code Sections 505.24 and 507.09**. Specifically, the Bill has modified **Ohio Rev. Code Section 505.24** to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee and township fiscal officer that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. While the certification requirement only applies to township trustees and township fiscal officers, documentation is still required where a township compensates other township employees from funds other than the general fund.

As a result of not adhering to the Ohio Revised Code and House Bill 153, the General Fund should have paid for 100% of the Trustees and Fiscal Officer salaries, state and federal withholdings and PERS.

The Trustees and Fiscal Officer should implement practices to ensure compliance with House Bill 153 and perform the required certifications. Also, since the Ohio Revised Code and House Bill 153 were not followed, the General Fund in 2011 and 2012 should have paid an additional \$35,391 (Motor Vehicle Fund of \$2,363, Gas Tax Fund of \$19,631, Road & Bridge Fund of \$5,995, and the Fire Levy Fund of \$7,402) and \$28,996 (Motor Vehicle Fund of \$7,008, Gas Tax Fund of \$15,557, Road & Bridge Fund of \$4,423, and the Fire Levy Fund of \$2,008), respectively. Both years total \$64,387.

The Township's financial statements and computer system have been adjusted accordingly.

3. Section F of the Certificate Under Sections 103(b)(2) and 148 of the Internal Revenue Code and Ohio Rev. Code Section 133.10(E)(1)

<i>Finding Number</i>	2012-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Section F of the Certificate Under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as Amended, states that except for the Bond Fund, no other account or fund has been or will be established to pay principal of, premium if any, or interest on the obligation. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium if any, or interest on the Obligations, and there are no moneys, sources of funds, securities or obligations with respect to which the Issuer has given or will give any reasonable assurance to any holder of the Obligations that such funds will be available to pay principal of, premium if any, or interest on the Obligations.

Ohio Rev. Code Section 133.10(E)(1) provides that amounts from the sources anticipated needed to pay debt charges and financing costs shall be considered appropriated for that purpose, and other appropriations from those sources by the taxing authority shall be limited to the balance available after deducting the amount to pay those debt charges and financing costs. The portions of those amounts as received and to be applied to those debt charges shall be deposited and set aside in an account for the purpose in the bond retirement fund in the amounts and at the times required to pay those debt charges as provided for by the authorizing legislation or otherwise provided by law.

In 2012, the Township procured a United States of America Township Building Bond Anticipation Note of \$30,000 for constructing a building and acquiring equipment. The debt agreements required the Township create a Bond Retirement Fund to account for the net proceeds and principal and interest payments. During 2012, the Township retired note principal and interest totaling \$4,404 from the General Fund contrary to the debt agreement. In addition, the Township did not appropriate for debt payments in a bond retirement fund as required.

The Township should establish the required Bond Retirement Fund to account for debt service principal and interest payments. This will help ensure the Township complies with the Township Building Bond Anticipation Note agreement. The Township should also appropriate an amount each year necessary to pay debt principal and interest charges.

The Township's financial statements and computer system have been adjusted accordingly.

4. Ohio Rev. Code Section 5705.10(C)

<i>Finding Number</i>	2012-004
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10(C) requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

During 2012 and 2011, the Township received motor vehicle expense credit from the Holmes County Engineer's Office. The Holmes County Engineer's Office uses their motor vehicle license tax monies to fund the motor vehicle expense credit. The motor vehicle expense credit is offered to Townships within Holmes County as a means of assisting the Townships with road and maintenance repair costs. The Township received \$2,847 and \$13,924 in 2012 and 2011, respectively; however, the receipts were recorded in the General Fund. Given the source of the monies, these receipts should be recorded in the Road and Bridge Fund.

The Township should ensure all motor vehicle expense credit receipts are recorded in a Special Revenue Fund, specifically the Road and Bridge Fund, in order to comply with **Ohio Rev. Code Section 5705.10(C)**.

The Township's financial statements and computer system has been adjusted accordingly.

5. Ohio Rev. Code Sections 135.21 and 5705.131

<i>Finding Number</i>	2012-005
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 135.21 requires all investment earnings to be credited to the general fund of the subdivision. Furthermore, **Ohio Rev. Code Section 5705.131** requires interest earned on principal of a non-expendable trust fund established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs.

The Township improperly allocated interest earned on the principal of the Non-Expendable Trust Fund to the General Fund, Motor Vehicle License Tax Fund, Gasoline Fund, and Permanent Fund. Additionally, the Township improperly recorded interest earned from other investments into the Permanent Fund. During 2012 and 2011, the Township earned \$15 and \$11, respectively, in interest from the principal of the Permanent Fund while the ledgers reflect interest totaling \$26 and \$7, respectively. This results in an overstatement of \$11 for 2012 and an understatement of \$4 for 2011 in the Permanent Fund.

The Township should implement procedures to ensure that only interest earned on principal of the Permanent Fund is recorded in the Permanent Fund in order to comply with the respective Ohio Revised Code Sections.

The Township's financial statements and computer system has been adjusted accordingly.

6. Ohio Rev. Code Section 5705.10(H)

<i>Finding Number</i>	2012-006
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The following instances were noted:

- During 2012 and 2011, the Township paid for cemetery mowing services from the Gasoline Tax Fund (2012 - \$2,945 and 2011 - \$4,370) and from the Fire Levy Fund (2012 - \$285). These cemetery mowing services expenditures should have been paid from the Cemetery Fund.
- During 2011, the Township paid for services related to the Auditor of State review of the prior audit performed by an Independent Public Accountant with Permanent Fund monies of \$208 that should have been paid from the General Fund; and
- During 2011, the Township paid for phone and internet services with the Fire Levy Fund of \$369 that should have been paid from the General Fund.

The Township should research the appropriate use of funds based on the types of expenditures to be made. This will help ensure the Township does not inappropriately use monies from a fund that are legally restricted for certain purposes.

The Township's financial statements and computer system has been adjusted accordingly.

7. Ohio Rev. Code Section 5705.41(D)

<i>Finding Number</i>	2012-007
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), 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 Township Trustees can authorize the drawing of a warrant for the payment of the amount due. The Township Trustees have thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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.

3. Super Blanket Certificate – The township 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.

For 13 (for 7 expenditures, a purchase order was not utilized, for 6 expenditures, the purchase order was not certified prior to incurring the expenditure) of the 65 expenditures tested, (20%) were not properly certified by the Fiscal Officer prior to the purchase commitment being made. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursement and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The Fiscal Officer should also sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

8. 26 U.S.C. Sections 3401 through 3406

<i>Finding Number</i>	2012-008
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NONCOMPLIANCE

26 U.S.C. §3401 through §3406 require that each Employer's Quarterly Federal Tax Return include employees' withheld Federal income tax, social security tax, Medicare tax, and the employer's share of social security and Medicare tax. If the employer accumulates a liability for these taxes of \$2,500 or more per quarter, the employer must deposit this amount by making payment to an authorized financial institution. Deposits are made either by the Electronic Federal Tax Payment System (EFTPS), or by using a Form 8109, *Federal Tax Deposit Coupon*, which must accompany the payment.

2010 Federal/Medicare payroll taxes totaling \$5,541 were not remitted to the Internal Revenue Service until June 2011. 2011 Federal/Medicare payroll taxes totaling \$6,630 were not remitted to the Internal Revenue Service until January 2012. 2012 Federal/Medicare payroll taxes totaling \$6,521 were not remitted to the Internal Revenue Service until March 2013. In addition, the Township paid late fees and interest to the Internal Revenue Service as a result of late payments of withholdings and employer contributions up to nine months past due. Lastly, the 4th quarter 2012 remittance to the Internal Revenue Service did not include the employer's share of Medicare tax. The failure to comply with the tax regulations will result in additional penalties, late fees and interest.

Employee withholdings and employer contributions should be remitted promptly, at least on a quarterly basis, in the future to avoid penalties, late fees and interest.

This issue will be referred to Internal Revenue Service for whatever action is deemed necessary.

9. Ohio Rev. Code Section 5747.07 (E)(1)

<i>Finding Number</i>	2012-009
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NONCOMPLIANCE

Ohio Rev. Code Section 5747.07 (E)(1) provides that an employer described in division (B)(1) or (2) of this section shall file, not later than the last day of the month following the end of each calendar quarter, a return covering, but not limited to, both the actual amount deducted and withheld and the amount required to be deducted and withheld for the tax imposed under section 5747.02 of the Revised Code during each partial weekly withholding period or portion of a partial weekly withholding period during that quarter. The employer shall file the quarterly return even if the aggregate amount required to be deducted and withheld for the quarter is zero dollars. At the time of filing the return, the employer shall pay any amounts of undeposited taxes for the quarter, whether actually deducted and withheld or required to be deducted and withheld, that have not been previously paid.

2010 State (\$588 from second half of 2010) payroll taxes were not remitted to the Treasurer of State of Ohio until January 2011. 2011 State (\$1,277) payroll taxes were not remitted to the the Treasurer of State of Ohio until January 2012. 2012 State (\$1,570) payroll taxes were not remitted to the Treasurer of State of Ohio until March 2013. The failure to comply with the tax regulations will result in additional penalties, late fees and interest.

Employee State Tax withholdings should be remitted promptly in the future to avoid late fees and interest.

This issue will be referred to Treasurer of State of Ohio for whatever action is deemed necessary.

10. Ohio Rev. Code Section 5705.10(H)

<i>Finding Number</i>	2012-010
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.10 (H) requires that monies paid into any fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates money from one fund was used to cover the expenses of another fund.

Throughout 2012, certain funds incurred negative cash fund balances as follows:

Fund	Variance
Fund 1000 - General Fund	(\$3,617)
Fund 2011 - MVL Tax Fund	(28)
Fund 2021 - Gasoline Fund	(1,037) to (3,714)

Throughout 2011, the General Fund incurred negative cash fund balances as follows:

Fund	Variance
Fund 1000 - General Fund	(\$4,494) to (\$34,969)

The Fiscal Officer should monitor receipts and disbursements on a regular basis to ensure a sufficient cash fund balance exists before authorizing the expenditure of funds.

11. Ohio Rev. Code Section 5705.41(B)

<i>Finding Number</i>	2012-011
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures plus encumbrances exceeded total appropriations in the following funds:

Fund (Year)	Appropriations	Expenditures	Variance
General Fund (2012)	\$51,065	\$94,891	(\$43,826)
Road & Bridge Fund (2012)	\$39,637	\$40,578	(\$941)
Motor Vehicle License Tax Fund (2011)	\$16,350	\$19,083	(\$2,733)
Gasoline Tax Fund (2011)	\$101,400	\$107,726	(\$6,326)
Road & Bridge Fund (2011)	\$45,950	\$52,080	(\$6,130)

As a result, the risk that funds could incur a deficit fund cash balance is increased.

Failure to limit expenditures plus encumbrances to the amount appropriated by the Township could result in overspending and negative cash balances. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations or by amending estimated resources.

12. Ohio Rev. Code Section 2921.42(A)(1)

<i>Finding Number</i>	2012-012
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NONCOMPLIANCE

Ohio Rev. Code Section 2921.42 (A)(1) provides that no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

During 2012 and 2011, Trustee Edgar Britt approved the annual salary ordinance of his son, Dennis Britt as evidenced in the minute records. Dennis Britt was compensated \$32,284 and \$32,101 in 2012 and 2011, respectively. Additionally, Trustee Britt signed his son's payroll checks and timesheets.

Also, during 2012 and 2011, Trustee Jeff Chaney approved his son, Travis Chaney, to perform certain electrical work for the Township as evidenced in the minute records. Trustee Chaney also signed his son's checks for the electrical work. During 2012 and 2011, Travis Chaney was compensated \$1,278 and \$594, respectively.

As a result, there is an increased risk that transactions that occurred between these Trustees and their family members could have directly benefited the Trustees and were of a manner that could be considered "less than an arm's length" transaction.

Trustees Britt and Chaney should abstain from approving the hiring of family members and signing payroll checks or timesheets of family members. This will help reduce the risk of transactions that occur between a Trustee and family member are made in a manner that could be viewed as transactions that were not at "less than an arm's length" in fact and appearance.

This matter will be referred to the Ohio Ethics Commission for whatever action deemed necessary.

13. Monthly Bank Reconciliations

<i>Finding Number</i>	2012-013
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MATERIAL WEAKNESS

Upon testing the 2012 and 2011 monthly bank reconciliations, the following weaknesses were identified:

- The January through December 2012 monthly bank reconciliations were not performed until January 2013.
- The April 2011, May 2011, June 2011, July 2011, and August 2011 monthly bank reconciliations were completed a month late.
- The September through December 2011 monthly bank reconciliations were not performed until January 2012.

Since the bank reconciliations are not completed timely, the likelihood of errors or irregularities existing and not being detected timely is increased.

The Fiscal Officer should ensure monthly bank reconciliations are prepared timely (i.e., soon after the monthly bank statement is received). In addition, the Fiscal Officer should include the monthly bank reconciliations with the monthly report package provided to the Board of Trustees for review. This will help ensure errors or irregularities are detected in a timely manner.

14. Timely Posting of Receipts

<i>Finding Number</i>	2012-014
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SIGNIFICANT DEFICIENCY

The Fiscal Officer collects all Township receipts; however, certain receipts were not posted to the Uniform Accounting Network (UAN) computer system in a timely manner as follows:

- Of the 92 receipts recorded in the general ledger during 2012, 35 of the receipts were posted to the general ledger during January 2013. Thirty two of the 35 receipts posted in January 2013 had receipts dates between January 2012 and November 2012.
- Of the 82 receipts recorded in the general ledger during 2011, 12 of the receipts were posted to the general ledger during January 2012. Four of the 12 receipts posted in January 2012 had receipt dates between September to November 2011.

Since the general ledger is not updated timely, the reports generated from the UAN computer system used by the Trustees and Fiscal Officer are incomplete and prohibit the Township from adequately monitoring the Township's financial position.

The Fiscal Officer should implement procedures to ensure all receipts are posted to the general ledger in a timely manner. This will allow the Township officials to obtain an accurate overview of the Township's financial position when making management decisions.

15. Supporting Documentation of Charges for Service Revenue - Chip & Seal

<i>Finding Number</i>	2012-015
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MATERIAL WEAKNESS

During the testing of the Charges for Services account balance in the Road and Bridge Fund, the Township did not maintain documentation to support the revenues collected for the Chip and Seal Program provided to the Township residents totaling \$5,000 and \$5,891 for fiscal years 2012 and 2011, respectively. The lack of supporting documentation could allow errors, irregularities and possible overcharging of Township residents to occur and go undetected for an extended period of time. As a result, we qualified the opinion regarding this lack of supporting documentation.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To help ensure the Township's financial statements are complete and accurate, the Township should maintain supporting documentation for all revenue received for the Chip and Seal Program. This will help ensure errors, irregularities and/or inaccurate charges are detected timely and the financial statements are complete and accurate.

16. Killbuck Township Volunteer Fire Department - Reporting Entity

<i>Finding Number</i>	2012-016
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SIGNIFICANT DEFICIENCY

The Governmental Accounting Standards Board (GASB) establishes standards of accounting and financial reporting for state and local governmental entities. Standards set by GASB guide the preparation of external financial reports for those entities.

GASB Codification Section 2100 established standards for defining and reporting on the financial reporting entity. Per Section 2100.111, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and

(c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Killbuck Township Volunteer Fire Department is a legally separate not-for-profit organization. The Fire Department was organized for the preservation and protection of life and property during such fires and emergencies as may occur in Killbuck Township and to lend assistance to neighboring villages and townships when requested. Despite the Fire Department being an entity legally separate from the Township, the Fire Department is a component unit that is neither blended or discretely presented but rather should be a component unit recognized in a fiduciary capacity of the Township for financial reporting purposes since the nature and significance of the Fire Department's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As a result, it is necessary for the Fire Department to provide financial statement activity to the Township for inclusion in the Township's annual financial report.

Currently, the Fire Department does not have an annual audit performed and unaudited financial information of the Fire Department is included in the notes to the financial statements of the Township.

The Township should also ensure that such financial activity is obtained timely in order to comply with the annual financial reporting deadline established by Ohio Rev. Code Section 117.38 and appropriately included in the financial statements based in accordance with the basis of accounting utilized by the Township for reporting purposes.

17. Financial Reporting

<i>Finding Number</i>	2012-017
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MATERIAL WEAKNESS

As a result of audit procedures performed, errors were noted in the Township's financial statements for 2012 and 2011 that required audit adjustments and reclassifications as follows:

- The Township improperly included the interest earned from a non-expendable trust fund in their monthly interest allocation calculations. This caused the interest revenue in the General Fund to be overstated by \$4 in 2012 and understated by \$11 in 2011. The differences were posted to the Permanent Fund.
- The Township improperly allocated payroll and related fringe benefits for the Trustees and the Fiscal Officer to the Special Revenue Funds amounting to adjustments of \$28,996 and \$35,391 in 2012 and 2011, respectively.
- The Township issued debt in 2012 that the required the Township to record the financial activity in a bond retirement fund. However, the Township improperly posted the principal payment of \$4,000, interest and fiscal charges payment of \$3,634, and note proceeds of \$30,000 to the General Fund.
- The Township improperly recorded motor vehicle exemption credit revenue received from the Holmes County Auditor in the General Fund rather than the Road & Bridge Fund. This resulted in overstatements within the General Fund by \$2,847 and \$13,924 in 2012 and 2011, respectively.
- The Township improperly posted expenditures for mowing the cemetery to the Gas Tax Fund rather than the General Fund amounting to \$3,230 and \$4,370 in 2012 and 2011, respectively.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

The financial statements and the client's ledgers have been adjusted accordingly.

18. Review of Financial Reports

<i>Finding Number</i>	2012-018
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SIGNIFICANT DEFICIENCY

On a monthly basis, the Fiscal Officer provides the Trustees with Revenue and Appropriation Status Reports and subsequently are approved and signed by the Trustees as evidence in the minute records. However, per review of receipt postings to the Uniform Accounting Network (UAN) system and dates the monthly bank reconciliations were performed by the Fiscal Officer, we noted the reports the Trustees received at their monthly Board meetings do not reflect current receipts because numerous months activities that occurred during 2012 were not actually posted to the UAN system until January 2013. As a result, errors and irregularities could occur and not be detected in a timely manner.

The Fiscal Officer should provide the Board of Trustees with accurate and up to date Revenue Status and Appropriation Status reports at their monthly Board meetings. This will help ensure errors and irregularities are detected in a timely manner and the Trustees are monitoring current financial activity.

Official's Response: The client has elected not to respond to the aforementioned findings.

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Significant Deficiency - Volunteer Fire Department Gas Pump used by the Township. Usage by the Township could not be determined.	No	Partially Corrected - As the Township is in the process of developing a policy during 2013, this comment will be included in the management letter.
2010-002	Non-Compliance – Ohio Rev. Code 5705.39 – Appropriations exceeded total estimated fund resources in several funds.	Yes	
2010-003	Non-Compliance & Material Weakness – Ohio Adm. Code Section 117-2-02(A) – Improper classification of revenues and expenditures	No	Not Corrected – Refer to Finding Number 2012-017
2010-004	Non-Compliance & Material Weakness – Ohio Rev. Code 505.24(c) – Improperly allocation of Township Trustee salaries	No	Not Corrected – Refer to Finding Number 2012-002
2010-005	Non-Compliance – Ohio Rev. Code 5705.41(B) – Expenditures plus encumbrances exceeds appropriations in several fund.	No	Not Corrected – Refer to Finding Number 2012-011



Dave Yost • Auditor of State

KILLBUCK TOWNSHIP

HOLEMS 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 8, 2013**