



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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VILLAGE OF KILLBUCK  
HOLMES COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2014 and 2013  
Fiscal Years Audited Under GAGAS: 2014 and 2013





# Dave Yost • Auditor of State

Members of Council  
Village of Killbuck  
138 South Main Street  
Killbuck, Ohio 44637

We have reviewed the *Independent Auditor's Report* of the Village of Killbuck, Holmes County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

November 2, 2015

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**VILLAGE OF KILLBUCK  
HOLMES COUNTY, OHIO**

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For the Years Ended December 31, 2014 and 2013

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Village of Killbuck  
Holmes County  
138 South Main Street  
Killbuck, Ohio 44637

To the Village Council:

### Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Killbuck, Holmes County, (the Village), as of and for the years ended December 31, 2014 and 2013.

### 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(D); 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 Village'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 Village'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 support our audit opinion.

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

As described in Note 1 of the financial statements, the Village 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

### **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 Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Killbuck, Holmes County, as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015, on our consideration of the Village's internal control over financial reporting and on 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 Village's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
July 29, 2015

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|---|
|   | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> |   |
| <b>Cash Receipts:</b>                               |                                |                            |                             |   |
| Property and Local Taxes                            | \$ 42,562                      | \$ -                       | \$ -                        | \$ 42,562                               |
| Municipal Income Tax                                | 166,097                        | 70,500                     | -                           | 236,597                                 |
| Intergovernmental                                   | 36,490                         | 21,271                     | -                           | 57,761                                  |
| Charges for Services                                | 4,600                          | -                          | 16,928                      | 21,528                                  |
| Fines, Licenses, and Permits                        | 1,526                          | -                          | -                           | 1,526                                   |
| Earnings on Investments                             | 529                            | -                          | -                           | 529                                     |
| Miscellaneous                                       | 2,945                          | -                          | -                           | 2,945                                   |
|   | <hr/>                          |                            |                             |   |
| Total Cash Receipts                                 | 254,749                        | 91,771                     | 16,928                      | 363,448                                 |
|   | <hr/>                          |                            |                             |   |
| <b>Cash Disbursements:</b>                          |                                |                            |                             |   |
| Current:  |                                |                            |                             |   |
| Security of Persons & Property                      | 19,908                         | -                          | -                           | 19,908                                  |
| Public Health Service                               | 6,195                          | -                          | -                           | 6,195                                   |
| Leisure Time Activities                             | 17,614                         | -                          | -                           | 17,614                                  |
| Community Environment                               | -                              | -                          | 70,050                      | 70,050                                  |
| Basic Utility Services                              | 5,239                          | -                          | -                           | 5,239                                   |
| Transportation                                      | -                              | 84,336                     | -                           | 84,336                                  |
| General Government                                  | 45,800                         | -                          | -                           | 45,800                                  |
| Capital Outlay                                      | 12,261                         | -                          | -                           | 12,261                                  |
|   | <hr/>                          |                            |                             |   |
| Total Cash Disbursements                            | 107,017                        | 84,336                     | 70,050                      | 261,403                                 |
|   | <hr/>                          |                            |                             |   |
| Total Cash Receipts Over/(Under) Cash Disbursements | 147,732                        | 7,435                      | (53,122)                    | 102,045                                 |
|   | <hr/>                          |                            |                             |   |
| Fund Cash Balances, January 1                       | 282,676                        | 28,044                     | 109,145                     | 419,865                                 |
|   | <hr/>                          |                            |                             |   |
| <b>Fund Cash Balances, December 31</b>              | <b>\$ 430,408</b>              | <b>\$ 35,479</b>           | <b>\$ 56,023</b>            | <b>\$ 521,910</b>                       |
| Restricted  | -                              | 35,479                     | 56,023                      | 91,502                                  |
| Unassigned  | 430,408                        | -                          | -                           | 430,408                                 |
|   | <hr/>                          |                            |                             |   |
| <b>Fund Cash Balances, December 31</b>              | <b>\$ 430,408</b>              | <b>\$ 35,479</b>           | <b>\$ 56,023</b>            | <b>\$ 521,910</b>                       |
|   | <hr/>                          |                            |                             |   |

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

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <b>Enterprise</b> |
|--|-------------------|
| <b>Operating Cash Receipts:</b>                    |                   |
| Charges for Services                               | \$ 388,238        |
| Earnings on Investments                            | 237               |
| Miscellaneous                                      | 17                |
| Total Operating Cash Receipts                      | 388,492           |
| <b>Operating Cash Disbursements:</b>               |                   |
| Personal Services                                  | 100,005           |
| Fringe Benefits                                    | 23,038            |
| Contractual Services                               | 102,943           |
| Supplies and Materials                             | 47,647            |
| Capital Outlay                                     | 51,490            |
| Repairs  | 1,300             |
| Total Operating Cash Disbursements                 | 326,423           |
| Operating Income (Loss)                            | 62,069            |
| <b>Non-Operating Receipts and (Disbursements):</b> |                   |
| Proceeds of Loans                                  | 4,781             |
| Principal Retirement                               | (62,713)          |
| Interest and Fiscal Charges                        | (11,374)          |
| Total Non-Operating Receipts/(Disbursements)       | (69,306)          |
| Net Change in Fund Cash Balance                    | (7,237)           |
| Fund Cash Balances, January 1                      | 223,364           |
| <b>Fund Cash Balances, December 31</b>             | <b>\$ 216,127</b> |

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

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>                               |                                |                            |                             |   |
| Property and Local Taxes                            | \$ 48,198                      | \$ -                       | \$ -                        | \$ 48,198                               |
| Municipal Income Tax                                | 135,070                        | 57,943                     | -                           | 193,013                                 |
| Intergovernmental                                   | 24,014                         | 31,847                     | -                           | 55,861                                  |
| Charges for Services                                | 8,317                          | -                          | 8,921                       | 17,238                                  |
| Fines, Licenses, and Permits                        | 1,061                          | -                          | -                           | 1,061                                   |
| Earnings on Investments                             | 3,996                          | -                          | -                           | 3,996                                   |
| Miscellaneous                                       | 39,113                         | 259                        | -                           | 39,372                                  |
|   | <hr/>                          |                            |                             |   |
| Total Cash Receipts                                 | 259,769                        | 90,049                     | 8,921                       | 358,739                                 |
|   | <hr/>                          |                            |                             |   |
| <b>Cash Disbursements:</b>                          |                                |                            |                             |   |
| Current:  |                                |                            |                             |   |
| Security of Persons & Property                      | 23,554                         | 1,326                      | -                           | 24,880                                  |
| Public Health Service                               | 7,099                          | -                          | -                           | 7,099                                   |
| Leisure Time Activities                             | 28,052                         | -                          | -                           | 28,052                                  |
| Basic Utility Services                              | 7,262                          | -                          | -                           | 7,262                                   |
| Transportation                                      | 44,371                         | 83,991                     | -                           | 128,362                                 |
| General Government                                  | 60,466                         | -                          | -                           | 60,466                                  |
| Capital Outlay                                      | 3,647                          | -                          | -                           | 3,647                                   |
|   | <hr/>                          |                            |                             |   |
| Total Cash Disbursements                            | 174,451                        | 85,317                     | -                           | 259,768                                 |
|   | <hr/>                          |                            |                             |   |
| Total Cash Receipts Over/(Under) Cash Disbursements | 85,318                         | 4,732                      | 8,921                       | 98,971                                  |
|   | <hr/>                          |                            |                             |   |
| Fund Cash Balances, January 1                       | 197,358                        | 23,312                     | 100,224                     | 320,894                                 |
|   | <hr/>                          |                            |                             |   |
| <b>Fund Cash Balances, December 31</b>              | <b>\$ 282,676</b>              | <b>\$ 28,044</b>           | <b>\$ 109,145</b>           | <b>\$ 419,865</b>                       |
| Restricted  | -                              | 28,044                     | 109,145                     | 137,189                                 |
| Unassigned (Deficit)                                | 282,676                        | -                          | -                           | 282,676                                 |
|   | <hr/>                          |                            |                             |   |
| <b>Fund Cash Balances, December 31</b>              | <b>\$ 282,676</b>              | <b>\$ 28,044</b>           | <b>\$ 109,145</b>           | <b>\$ 419,865</b>                       |
|   | <hr/>                          |                            |                             |   |

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

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <b>Enterprise</b> |
|--|-------------------|
| <b>Operating Cash Receipts:</b>                    |                   |
| Charges for Services                               | \$ 385,554        |
| Earnings on Investments                            | 4,857             |
| Miscellaneous                                      | 2,496             |
| Total Operating Cash Receipts                      | 392,907           |
| <b>Operating Cash Disbursements:</b>               |                   |
| Personal Services                                  | 101,318           |
| Fringe Benefits                                    | 22,260            |
| Contractual Services                               | 100,315           |
| Supplies and Materials                             | 35,727            |
| Capital Outlay                                     | 700,725           |
| Repairs  | 4,993             |
| Total Operating Cash Disbursements                 | 965,338           |
| Operating Income (Loss)                            | (572,431)         |
| <b>Non-Operating Receipts and (Disbursements):</b> |                   |
| Intergovernmental                                  | 35,493            |
| Proceeds of Loans                                  | 677,751           |
| Principal Retirement                               | (139,738)         |
| Total Non-Operating Receipts/(Disbursements)       | 573,506           |
| Net Change in Fund Cash Balance                    | 1,075             |
| Fund Cash Balances, January 1                      | 222,289           |
| <b>Fund Cash Balances, December 31</b>             | <b>\$ 223,364</b> |

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

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 Killbuck, Holmes County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental, street repair and maintenance, water and sewer services to the residents of the Village. The Village contracts with the Holmes County Sheriff's Department to provide security of persons and property.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. The 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 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 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 Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (continued)**

**3. Capital Projects Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

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

**4. Enterprise Funds**

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing the utility.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing the utility.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level 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.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

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

**1. Nonspendable**

The Village 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.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends 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. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. 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 Village 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.

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. 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.

**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**

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

|                         | 2014      | 2013      |
|-------------------------|-----------|-----------|
| Demand deposits         | \$99,897  | \$141,616 |
| Certificates of deposit | 207,853   | 207,382   |
| Money Market            | 430,287   | 294,231   |
| Total deposits          | 738,037   | 643,229   |
| Total deposits          | \$738,037 | \$643,229 |

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

| 2014 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$229,525            | \$254,749          | \$25,224  |
| Special Revenue                   | 118,200              | 91,771             | (26,429)  |
| Capital Projects                  | 24,500               | 16,928             | (7,572)   |
| Enterprise                        | 386,000              | 393,273            | 7,273     |
| Total                             | \$758,225            | \$756,721          | (\$1,504) |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$221,000                  | \$107,017                 | \$113,983 |
| Special Revenue                                       | 117,500                    | 84,336                    | 33,164    |
| Capital Projects                                      | 80,000                     | 70,050                    | 9,950     |
| Enterprise  | 524,220                    | 400,510                   | 123,710   |
| Total   | \$942,720                  | \$661,913                 | \$280,807 |

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity (Continued)**

Although actual receipts in the Street Fund and the CIC Loan Fund, for 2014 were less than budgeted receipts, appropriations did not exceed actual resources for either fund.

| 2013 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$195,050            | \$259,769          | \$64,719  |
| Special Revenue                   | 119,900              | 90,049             | (29,851)  |
| Capital Projects                  | 24,000               | 8,921              | (15,079)  |
| Enterprise                        | 549,600              | 1,106,151          | 556,551   |
| Total                             | \$888,550            | \$1,464,890        | \$576,340 |

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$215,800                  | \$174,451                 | \$41,349  |
| Special Revenue                                       | 115,050                    | 85,317                    | 29,733    |
| Capital Projects                                      | 10,000                     | -                         | 10,000    |
| Enterprise  | 1,346,171                  | 1,105,076                 | 241,095   |
| Total   | \$1,687,021                | \$1,364,844               | \$322,177 |

Although actual receipts in the Street Fund and the CIC Loan Fund, for 2013 were less than budgeted receipts, appropriations did not exceed actual resources for either fund.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. Debt**

Debt outstanding at December 31, 2014 was as follows:

|  | Principal   | Interest Rate |
|--|-------------|---------------|
| Ohio Public Works Commission Loans     | \$579,919   | 0%            |
| Ohio Water Development Authority Loans | 1,016,726   | 0.00-4.675%   |
| Total                                  | \$1,596,645 |               |

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. Debt (Continued)**

The Ohio Public Works Commission (OPWC) loans relate to water plant replacement and wastewater treatment plant construction projects. The OPWC approved interest-free loans to the Village for these projects. The loans will be repaid in semi-annual installments over 30 years. The loans are collateralized by water and sewer charges for services receipts. Payments for these loans are made by the Water Fund and the Sewer Fund.

The Ohio Water Development Authority (OWDA) loans were obtained for the purpose of paying for the costs of constructing improvements to the Village's water and wastewater systems. The loans will be repaid in semi-annual installments over 20 years. The loans are collateralized by water and sewer charges for services receipts. Amortization schedules have not been prepared for two OWDA loans as the projects are incomplete at this time. Payments for these loans are made by the Water Fund and the Sewer Fund.

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

| Year ending<br>December 31: | OPWC Loan        | OWDA Loan        |
|-----------------------------|------------------|------------------|
| 2015                        | \$25,832         | \$29,623         |
| 2016                        | 24,523           | 29,623           |
| 2017                        | 24,523           | 29,623           |
| 2018                        | 24,523           | 29,623           |
| 2019                        | 24,523           | 29,623           |
| 2020-2024                   | 122,615          | 148,115          |
| 2025-2029                   | 122,615          | 118,495          |
| 2030-2034                   | 78,432           | 0                |
| 2035-2039                   | 73,525           | 0                |
| 2040-2043                   | 58,808           | 0                |
| Total                       | <u>\$579,919</u> | <u>\$414,725</u> |

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. Risk Management**

The Village has obtained commercial insurance for the following risks:

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

The Village is uninsured for the following risks:

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

**8. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding of any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Killbuck  
Holmes County  
138 South Main Street  
Killbuck, Ohio 44637

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Killbuck, Holmes County, (the Village) as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, and have issued our report thereon dated July 29, 2015, wherein we noted the Village followed accounting and financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village'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 internal control deficiencies 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 a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 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 Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

**Purpose of this Report**

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
July 29, 2015

**VILLAGE OF KILLBUCK  
HOLMES COUNTY**

**DECEMBER 31, 2014 AND 2013  
SCHEDULE OF FINDINGS**

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

**FINDING NUMBER 2014-001**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure information provided to readers of the financial statements is accurate and complete.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Direct payments to contractors by OWDA and OPWC were not booked as capital outlay disbursements by the Village.
- Debt principal and interest payments were incorrectly classified as capital outlay.
- Utility Receipts
- Checks dated and posted during January, 2014 were cashed in December, 2013.

Misstatements have been posted to the financial statements. Adjustments have been made to the Village's accounting system.

To ensure the Village's financial statements are accurate and complete, we recommend the Village review the prepared financial report or hire someone knowledgeable of the financial reporting process and accounting standards to assist in the preparation and/or review of the financial report. We further recommend the Village posts financial activity in accordance with the Village Officer's Handbook.

**Officials Response:**

This will be corrected with the 2015 financials.



# Dave Yost • Auditor of State

**VILLAGE OF KILLBUCK**

**HOLMES COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 12, 2015**