



**KILLBUCK TOWNSHIP
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

KILLBUCK TOWNSHIP
HOLMES COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Killbuck Township
Holmes County
10672 State Route 520
Killbuck, Ohio 44637

To the Board of Trustees:

We have audited the accompanying financial statements of Killbuck Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management and the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 31, 2001

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**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$9,414	\$98,441	\$0	\$0	\$107,855
Intergovernmental Receipts	49,636	59,359	3,107	0	112,102
Charges for Services	0	25,372	0	0	25,372
Earnings on Investments	2,954	4,375	0	0	7,329
Rentals and Leases	235	0	0	0	235
Contributions and Donations	0	0	0	68,218	68,218
Other Revenue	245	4,080	0	0	4,325
Total Cash Receipts	62,484	191,627	3,107	68,218	325,436
Cash Disbursements:					
Current:					
General Government	29,154	24,377	0	0	53,531
Public Safety	0	28,444	0	0	28,444
Public Works	0	110,114	0	0	110,114
Health	8,207	0	0	0	8,207
Miscellaneous	0	261	0	0	261
Debt Service:					
Redemption of Principal	0	0	2,753	0	2,753
Interest and Fiscal Charges	0	0	354	0	354
Capital Outlay	0	3,068	0	0	3,068
Total Cash Disbursements	37,361	166,264	3,107	0	206,732
Total Cash Receipts Over Cash Disbursements	25,123	25,363	0	68,218	118,704
Other Financing Receipts/(Disbursements):					
Transfers-In	0	10,500	0	0	10,500
Transfers-Out	(10,500)	0	0	0	(10,500)
Total Other Financing Receipts/(Disbursements)	(10,500)	10,500	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	14,623	35,863	0	68,218	118,704
Fund Cash Balances, January 1	8,188	71,195	457	0	79,840
Fund Cash Balances, December 31	\$22,811	\$107,058	\$457	\$68,218	\$198,544
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0

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

**KILLBUCK TOWNSHIP
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, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,297	\$77,005	\$20,346	\$106,648
Intergovernmental Receipts	24,901	63,764	3,107	91,772
Charges for Services	0	21,980	0	21,980
Earnings on Investments	1,806	275	0	2,081
Rentals and Leases	710	0	0	710
Contributions and Donations	75	0	0	75
Miscellaneous	284	934	0	1,218
Total Cash Receipts	<u>37,073</u>	<u>163,958</u>	<u>23,453</u>	<u>224,484</u>
Cash Disbursements:				
Current:				
General Government	25,893	16,920	0	42,813
Public Safety	0	26,845	0	26,845
Public Works	1,000	98,979	0	99,979
Health	8,765	0	0	8,765
Debt Service:				
Redemption of Principal	0	0	21,659	21,659
Interest and Fiscal Charges	0	0	2,158	2,158
Capital Outlay	0	10,560	0	10,560
Total Cash Disbursements	<u>35,658</u>	<u>153,304</u>	<u>23,817</u>	<u>212,779</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,415</u>	<u>10,654</u>	<u>(364)</u>	<u>11,705</u>
Other Financing Receipts:				
Sale of Fixed Assets	215	2,000	0	2,215
Total Other Financing Receipts	<u>215</u>	<u>2,000</u>	<u>0</u>	<u>2,215</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>1,630</u>	<u>12,654</u>	<u>(364)</u>	<u>13,920</u>
Fund Cash Balances, January 1	<u>6,558</u>	<u>58,541</u>	<u>821</u>	<u>65,920</u>
Fund Cash Balances, December 31	<u>\$8,188</u>	<u>\$71,195</u>	<u>\$457</u>	<u>\$79,840</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$5,978</u>	<u>\$0</u>	<u>\$5,978</u>

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

KILLBUCK TOWNSHIP
HOLMES COUNTY

COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
Operating Cash Receipts:		
Interest	\$122	\$113
Fund Cash Balances, January 1	2,468	2,355
Fund Cash Balances, December 31	<u>\$2,590</u>	<u>\$2,468</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>

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

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**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Killbuck Township, Holmes County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded 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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township 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.

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

Special Levy Fund - This fund receives special levy money to pay for providing fire, emergency medical and ambulance services to the Township.

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness.

4. Fiduciary Funds (Trust)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Funds:

Expendable Trust Fund

The Expendable Trust Fund is used to account for inheritance monies for the payment of expenses related to the Killbuck Township Volunteer Fire Department.

Nonexpendable Trust Fund

The Nonexpendable Trust Fund is used to account for inheritance monies for the payment of expenses related to the Shrimplin Cemetery in Killbuck Township. The income from the trust is to be used for the maintenance of the cemetery. The principal of the trust is to remain intact.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 canceled, and

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2000	1999
Demand deposits	\$130,915	\$80,308
Certificates of deposit	70,219	2,000
Total deposits	\$201,134	\$82,308

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,248	\$62,484	\$15,236
Special Revenue	198,932	202,127	3,195
Debt Service	3,107	3,107	0
Expendable Trust	68,218	68,218	0
Nonexpendable Trust	135	122	(13)
Total	\$317,640	\$336,058	\$18,418

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,867	\$47,861	(\$7,994)
Special Revenue	259,826	166,264	93,562
Debt Service	3,366	3,107	259
Nonexpendable Trust	603	0	603
Total	<u>\$303,662</u>	<u>\$217,232</u>	<u>\$86,430</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,756	\$37,288	\$6,532
Special Revenue	188,960	165,958	(23,002)
Debt Service	3,107	23,453	20,346
Nonexpendable Trust	131	113	(18)
Total	<u>\$222,954</u>	<u>\$226,812</u>	<u>\$3,858</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,314	\$35,658	\$1,656
Special Revenue	227,340	159,282	68,058
Debt Service	24,090	23,817	273
Nonexpendable Trust	486	0	486
Total	<u>\$289,230</u>	<u>\$218,757</u>	<u>\$70,473</u>

2000 and 1999 appropriations and Estimated Receipts have been adjusted to reflect the respective 2000 and 1999 Original Annual Appropriation Measure and Official Certificate of Estimated Resources.

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.39, 1999 appropriations exceeded estimated resources in the Debt Service General Bond/Note Retirement Fund.

Contrary to Ohio Rev. Code Section 5705.40, certain fund appropriations were amended without Board of Trustee authorization.

Contrary to Ohio Rev. Code Section 5705.41(B), certain 2000 and 1999 cash disbursements exceeded appropriations at the legal level of budgetary control.

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

Contrary to Ohio Rev. Code Section 5705.41(D), certain 2000 and 1999 expenditures were not certified prior to incurring the commitment.

Contrary to Ohio Adm. Code Section 117-03-23, certain 2000 and 1999 township receipts were improperly classified, prior to adjustment.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
1997 General Obligation Tractor Note	\$4,898	5.5%

The general obligation note was issued to finance the purchase of a tractor. The note is collateralized solely by the Township's taxing authority. This note will be repaid in monthly installments with interest, over 5 years.

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

Year ending December 31:	General Obligation Note
2001	\$2,815
2002	2,323
Total	\$5,138

**KILLBUCK TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEMS

Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. During 2000, the Township contributed an amount equal to 10.84% of participants' gross salaries. During 1999, the Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Township has obtained commercial insurance through The Personal Service Insurance Co. for the following risks:

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

The Township also provided health insurance through American Community Mutual for the Township Clerk and Trustees.

9. SUBSEQUENT EVENTS

On January 16, 2001, the Township purchased a new fire truck totaling \$224,352, using a certificate of deposit and a \$152,031 bank note at 6.5% interest through Killbuck Savings Bank to make the purchase.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Killbuck Township
Holmes County
10672 State Route 520
Killbuck, Ohio 44637

To the Board of Trustees:

We have audited the accompanying financial statements of Killbuck Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 31, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-40938-001 through 2000-40938-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 31, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-40938-006 through 2000-40938-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we do not consider any to be material weaknesses.

Killbuck Township
Holmes County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 31, 2001.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 31, 2001

KILLBUCK TOWNSHIP
HOLMES COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-40938-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 mandates that total appropriations from each fund should not exceed the total estimated revenue. No Appropriation Measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As of December 31, 1999, appropriations exceeded estimated resources by \$20,161 (certified estimated resources were \$821) within the Debt Service General Bond/Note Retirement Fund. To avoid overspending, the Township should not appropriate more than their estimated resources.

FINDING NUMBER 2000-40938-002

Noncompliance Citation

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 taxing authority in making the original appropriation.

During 2000 and 1999, the Township Clerk amended certain fund appropriations ranging between \$7 and \$10,600 within the Township's accounting system without approval from the Township Board of Trustees. As a result, permanent appropriation measure amendments were not legally adopted by the Township. As the Township's legislative authority, the Township Board of Trustees should approve all appropriation amendments at the established 'legal level of budgetary control' as evidenced in the minute records. This will help ensure all appropriation amendments are valid. Accordingly, appropriations were subsequently adjusted on the Township's financial statements to reflect the original 2000 and 1999 Annual Appropriation Measure. These adjustments created certain violations of Ohio Rev. Code Section 5705.41(B) as reflected in Finding Number 003.

FINDING NUMBER 2000-40938-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At year end, Township expenditures exceeded appropriations at the legal level of control, the object level, within the following funds:

FINDING NUMBER 2000-40938-003 (Continued)

	2000		
<u>Fund/Activity/Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General/Operating Transfers Out/Operating Transfers	\$0	\$10,500	(\$10,500)
Special Revenue Fund			
Motor Vehicle License Tax Fund/Highways/Repairs and Maintenance	2,000	12,365	(10,365)

The Township Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid potential overspending.

FINDING NUMBER 2000-40938-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certification shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid
- If the amount involved is less than \$1,000, the Township Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees

During 2000 and 1999, 14 out of 60 (23%) expenditures tested were not properly certified by the Township Clerk prior to incurring the commitment. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance. The Township should certify the availability of funds prior to occurring any obligation. The Township should also implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time.

FINDING NUMBER 2000-40938-005

Noncompliance Citation

Ohio Adm. Code Section 117-3-23 establishes guidelines for the proper coding and classification of Township receipts. During 2000 and 1999, the Township Clerk recorded EMS and Chip and Seal Charges for Services as Miscellaneous Receipts rather than as Charges for Services. In addition, the Township Clerk recorded rental receipts, proceeds from the sale of fixed assets, and contributions and donations as Miscellaneous Receipts rather than as Rentals and Leases, Sale of Fixed Assets and Contributions and Donations, respectively. Finally, the Township Clerk recorded MVL Tax monies as Interest Income during 2000. As a result, Miscellaneous Receipts and Interest Income were initially overstated and Charges for Services, Rentals and Leases, Sale of Fixed Assets, Intergovernmental Revenue, and Contributions and Donations were initially understated as follows:

Receipts	Amount
Fiscal Year 2000	
Miscellaneous	\$12,418
Charges for Services	12,183
Intergovernmental Revenue	4,202
Fiscal Year 1999	
Miscellaneous	18,179
Charges for Services	15,179
Sale of Fixed Assets	2,215

The Township Clerk should accurately record all Township receipts by code and classification using Ohio Adm. Code Section 117-03-23 as a guideline. This will help ensure Township receipts are properly coded and classified. (These receipts have been subsequently reclassified on the Township's financial statements.)

FINDING NUMBER 2000-40938-006

Reportable Condition - Volunteer Fire Department

Killbuck Township provides fire protection and emergency medical services through the Killbuck Township Volunteer Fire Department (i.e., the Township is responsible for fire fighting activities while the Voluntary Fire Department is a group providing services to Township residents as well as fund raising activities). However, the Township has not clearly defined its relationship with the Volunteer Fire Department. In addition, the Board of Trustees have not prepared and subsequently adopted a written contract or agreement with the Volunteer Fire Department. As a result, the following weaknesses were noted:

- The Township could not determine whether gasoline purchased by the Volunteer Fire Department belonged to the Township. As a result, the Volunteer Fire Department may not have been reimbursed for gasoline used for Township business.

FINDING NUMBER 2000-40938-006 (Continued)

- The Township Clerk only issued Forms 1099 to the Fire Department Chief and Assistant Chief. As a result, taxable income for other Volunteer Fire Department personnel could have been understated.
- The Volunteer Fire Department is allowed to use the Township's tax payer identification number to make purchases for the fire department without the knowledge or approval of the Township's Trustees. As a result, the Volunteer Fire Department may be improperly utilizing another entity's tax exempt status.
- The Volunteer Fire Department is allowed to accept checks on behalf of the Township without the knowledge or approval of the Township's Trustees. As a result, monies that should be recorded on the Township's records, could inadvertently be deposited in the Volunteer Fire Department's bank accounts.

We recommend the Township and Volunteer Fire Department perform the following:

- Since the Volunteer Fire Department coordinates certain fund raisers, the Volunteer Fire Department should be a separate and distinct organization (i.e. booster group) that may be organized as a not-for-profit entity that maintains its own money. Therefore, the Board of Trustees and Volunteer Fire Department officials should determine under which law or authority the Volunteer Fire Department was established and consider creating a non-for-profit entity or corporation. In addition, the Volunteer Fire Department should obtain its own tax payer identification number. This will help ensure a clear distinction is made between the Township and Volunteer Fire Department.
- The Board of Trustees should consult with their legal counsel and establish a formal written agreement with the Volunteer Fire Department as evidenced in the minute record. The agreement should define the rights and responsibilities of the Township and Volunteer Fire Department, establish guidelines for the deposit of public monies collected by the Volunteer Fire Department under Ohio Rev. Code Section 117.01 (C) and gasoline usage, and be signed by the Board of Trustees and Fire Department Chief as evidence that it has been mutually agreed upon. This will help ensure the Township and Volunteer Fire Department clearly understand their respective roles and responsibilities.
- The Board of Trustees should define the working relationship between the Township and Volunteer Fire Department personnel. The Township should determine whether withholdings will be made from Volunteer Fire Department personnel's annual gross income as employees of the Township, or Forms 1099 will be issued at each year end as contracted service providers. This will help ensure taxable income is accurately reported for all Volunteer Fire Department personnel.

FINDING NUMBER 2000-40938-007

Reportable Condition - Gasoline Usage

The Killbuck Township Volunteer Fire Department owns a gasoline pump which the Township uses for Township business. However, the Volunteer Fire Department did not maintain a gasoline usage policy to help ensure that the Volunteer Fire Department was reimbursed for gasoline used by the Township. As a result, the Volunteer Fire Department could not determine the amount of gasoline used by the Township or verify that it had been properly reimbursed.

To help ensure the completeness and accuracy of gasoline used by each entity, the Township and the Volunteer Fire Department should establish a policy that includes the following:

- Establishment of the Township's rights and responsibilities with regard to the Volunteer Fire Department's gasoline pump (i.e. who has access, time of access, etc.). In addition, the gasoline pump should be used each time gas is placed in any vehicle by Township or Volunteer Fire Department officials or employees.
- Creation of a standardized invoice to be used each time that the Township accesses the Volunteer Fire Department's gasoline pump. The invoice should document the date, gallons pumped, and signature of Township employee accessing the gasoline pump. Duplicate copies should be made of each invoice; one copy of the invoice should be retained by the Volunteer Fire Department and one copy should be retained by the Township employee.
- Establishment of a billing policy in order for the Volunteer Fire Department to bill the Township for the appropriate amount of gasoline used.

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



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KILLBUCK TOWNSHIP

HOLMES COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 12, 2001**