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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Killbuck, Holmes County, Ohio (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and/or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. The reconciliation amount exceeded the cash asset balance on the QuickBooks Balance Sheet by \$11,154 in 2012. The reconciliation amount exceeded the cash asset balance on the QuickBooks Balance Sheet by \$18 in 2011. Additionally, the Village did not reconcile between the balances of their certificates of deposits and the amount reported on their QuickBooks Balance Sheet. Also, the Village did not reconcile the balance of their regular savings account or report the funds of this account on their QuickBooks Balance Sheet. Amounts from the certificates of deposit and the regular savings account are not included in the reconciliation differences noted here as it is unreconciled. See step #4 for differences between the confirmation amount and Village reporting. Additionally, refer to step #2 for more information regarding these funds.

Cash and Investments (Continued)

2. We agreed the January 1, 2011 beginning fund balances recorded in the QuickBooks Profit and Loss vs Actual report to the December 31, 2010 balances in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the QuickBooks Profit and Loss vs Actual report to the December 31, 2011 balances in the QuickBooks Profit and Loss vs Actual report with the following exception:

The Village did not report the balance nor the receipt and expenditure activity of a Park Improvement Fund maintained in a regular savings account. This account had a bank balance of \$10,288 at December 31, 2012 and \$9,154 at December 31, 2011. The Village should report the balances and activity of this fund within the General Fund and the account should be turned over to the Village's Fiscal Officer. Should Council intend to commit the use of the funds for a specific purpose, they should pass an ordinance determining the use of the money. Additionally, if the regular savings account is for capital improvements, the Village should consider creating a capital projects fund with the approval of the Local Government Services division within the Auditor of State's Office pursuant to Ohio Rev. Code Section 5705.12.

Sources of the Park Improvement account included fees and donations. Fees are derived from various tournaments held at the local park. Money received from these tournaments are either deposited into this savings account or provided directly to the Holmes County Education Foundation for scholarship. If revenue is derived from tournament fees, Council should determine the fees to be collected and what they shall be used for by ordinance. If revenue is derived from donations, Council should formally approve all donations and restrictions, if any, imposed by donor during an open meeting of the Village. Also, the Village should cease directly providing monies to the Holmes County Education Foundation without first reporting the revenue within the Village's funds. All money received should be deposited within the Village's account. If Council intends that part of this monies purpose is to provide scholarships, then the money should be recorded separately from revenues intended for park improvement or any other purpose approved by Council. Village ordinance should specifically allow for the collection of monies to be used for scholarships. Payments to the Holmes County Education Foundation for scholarship use should be formally approved in the minutes by Council.

3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the QuickBooks Balance Sheets. The reconciliation amount exceeded the fund balance on the QuickBooks Balance Sheet amount by \$11,154 in 2012. The reconciliation amount exceeded the fund balance on the QuickBooks Balance Sheet amount by \$4,505 in 2011. Also, the Village did not reconcile the balance of their regular savings account or report the funds of this account on their QuickBooks Balance Sheet. The balance of the regular savings account is not included in the difference noted here as it is un-reconciled. See step #4 for differences between the confirmation amount and Village reporting. Additionally, refer to step #2 for more information regarding these funds.
4. We confirmed the December 31, 2012 bank account balances with the Village's financial institution. We found no exceptions. We also attempted to agree the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation. The total confirmed balance was \$17,128 more than the December 31, 2012 bank reconciliation. Of this total, \$6,840 was due to not reporting certificate of deposit balances by the Village. The remaining \$10,288 was due to the Village not including the cash from a regular savings account in the Village's records. Refer to step #2 for more information regarding these funds.

Cash and Investments (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We selected all three reconciling credits (such as deposits in transit) haphazardly from the December 31, 2012 bank reconciliation:
 - a. We traced each credit to the subsequent January bank statement. We found no exceptions.
 - b. We agreed the credit amounts to the Transaction Detail by Account Report. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We tested investments held at December 31, 2012 and December 31, 2011 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes and Intergovernmental Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2012 and one from 2011:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Transaction Detail by Account Report. Receipts were posted at the net distribution level resulting in receipts and expenditures being under reported by \$2,173 and \$4,067 in 2012 and 2011, respectively.
 - b. We determined whether the receipt was allocated to the proper fund(s) as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Transaction Detail by Account Report to determine whether it included two real estate tax receipts for 2012 and 2011. We noted the Transaction Detail by Account Report included the proper number of tax receipts for each year.

Property Taxes and Intergovernmental Receipts (Continued)

3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2012 and five from 2011. We also selected five receipts from the Holmes County Auditor's Cross Reference Report from 2012 and five from 2011.
 - a. We compared the amount from the above reports to the amount recorded in the Transaction Detail by Account Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found multiple exceptions. During 2012, Local Government Revenue was posted to the Street Fund for \$1,442 and to the State Highway Fund for \$116. During 2011, Local Government Revenue was posted to the Street Fund for \$468; additionally, \$365 in Kilowatt Tax reimbursements was posted to the Street Fund. Local Government Revenue was required to be receipted into the General Fund under Ohio Revised Code Section 5747.50(C)(3). Kilowatt Tax reimbursements was required to be receipted into the General Fund under Ohio Revised Code Sections 5727.86(E)(2) and 5727.84(C)(1)(b). The Village's computer system has been adjusted accordingly.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

1. We obtained the December 31, 2012 and 2011 Monthly Distribution reports submitted by the Regional Income Tax Agency (RITA), the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Profit and Loss Budget vs Actual reports. The amount agreed for 2012. The Village reported 2011 income taxes at the net distribution level resulting in income taxes and fees being under reported by \$4,620.
2. We compared the allocation of income tax receipts for the years ended December 31, 2012 and 2011 to the Village's funds according to the allocation requirements of Resolution No. 2010-08. The allocation did not agree with the percentages the Resolution requires. Resolution No. 2010-08 requires income taxes to be allocated 75% to the General Fund and 25% to the Street Fund. The Village reported \$5,238 in the Street Fund that should have been allocated to the General Fund in 2011. The Village reported \$7,421 in the Street Fund that should have been allocated to the General Fund in 2012. The Village's computer system has been adjusted accordingly.

Water Fund and Sewer Fund

1. We haphazardly selected 10 Water Fund and Sewer Fund collection cash receipts from the year ended December 31, 2012 and 10 Water Fund and Sewer Fund collection cash receipts from the year ended 2011 recorded in the Transaction Detail by Account report and determined whether the:
 - a. Receipt amount per the Transaction Detail by Account report agreed to the amount recorded to the credit of the customer's account in the Cash Receipts / Write Off report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Utility Billing Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period except for two out of twenty transactions tested. The two errors identified were limited to 2012 sewer fees charged.

Per Village Ordinance 2010-07, sewer fees were set at \$41 and \$71 per Single Family Equivalent (SFE) for users inside and outside of the Village, respectively. An SFE is a multiplication factor for charging sewer fees and is categorized by family, commercial and public authority customers, and industrial customers. SFE was approved at 1.14 per water closet and .50 per sink for the two businesses tested. The two businesses should have been charged at \$41 per an SFE of 3.28 and 4.28 based upon the number of water closets and sinks for each business. However, the businesses tested were billed at \$93.68 and \$121.05 for the first 1000 gallons, respectively. One business was billed at \$1.09 for usage between 1000 and 8000 gallons, and the other business was billed at \$1.10 for usage next 1000 gallons and \$1.09 for the next 2000 gallons used.

The two businesses were billed for sewer at \$93.90 and \$123.78, respectively. However, they should have been billed for sewer at \$134.48 and \$175.48, respectively. This led to the businesses being under charged by \$40.58 and \$51.70, respectively.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We read the Regular Trial Balance and Aged Trial Balance reports.
 - a. We noted this report listed \$36,923 and \$40,036 of accounts receivable as of December 31, 2012 and 2011, respectively.
 - b. Of the total receivables reported in the preceding step, \$1,107 and \$2,381 were recorded as more than 46 days delinquent.

Water Fund and Sewer Fund (Continued)

3. We read the Regular Trial Balance reports.
 - a. We noted this report listed a total of \$4,021 and \$10,964 non-cash receipts adjustments for the years ended December 31, 2012 and 2011, respectively.
 - b. We selected five non-cash adjustments from 2012 and five non-cash adjustments from 2011, and noted that the Village Fiscal Officer approved each adjustment. The Board of Public Affairs approves monthly customer balances. The Board of Public Affairs should approve non-cash adjustments prior to the adjustment being made to the customer balances.

Debt

1. Prior agreed-upon procedures documentation did not track outstanding debt balances at December 31, 2010. We compiled and confirmed December 31, 2010 outstanding debt with the Killbuck Savings Bank and through the Ohio Public Works Commission and Ohio Water Development Authority's confirmation pages on their websites, respectively. We noted the following loans outstanding as of December 31, 2010. These amounts agreed to the Villages January 1, 2011 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2010:
Killbuck Savings Bank Loan	\$1,020
OPWC Project #CN427	\$11,780
OPWC Project #CT46G	\$108,139
OPWC Project #CT49K	\$83,311
OWDA Loan #1654	\$96,633
OWDA Loan #2761	\$22,513
OWDA Loan #4459	\$95,876
OWDA Loan #4826	\$523,020
OWDA Loan #5160	\$127,873

2. We inquired of management, and scanned the Transaction Detail by Account reports, Monthly Payouts Report and the on-behalf debt issuances made by the Ohio Public Works Commission and Ohio Water Development Authority as documented on their respective websites for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules to Water Fund, Sewer Fund and Water Treatment Design Loan Fund payments reported in the Monthly Payout Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions. However, the Water Treatment Design Loan Fund is supported by grant and loan proceeds from the Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). Expenditures from grant and loan proceeds are restricted for the purpose of capital outlay in relation to the projects approved by the OPWC and OWDA. Therefore, these proceeds cannot be used to repay debt. Total debt payment from the Water Treatment Design Loan Fund was \$12,710 in 2011 and 2012. The Village's computer system has been adjusted accordingly.

Debt (Continued)

4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Water Treatment Design Loan Fund per the Transaction Detail by Account report. The amounts did not agree. The Village's debt proceeds were from the Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). Both entities disburse certain monies directly to the vendor instead of to the Village. Ohio Revised Code Section 5705.42 requires the Village to report disbursements made on their behalf by another political subdivision when the activity is part of a loan or grant agreement between the Village and political subdivision making payment. As a result, debt proceeds and related capital outlay expenditures in the amount of \$692,694 and \$5,485 were not reported in 2012 and 2011, respectively.
5. For new debt issued during 2012 and 2011, we inspected the debt legislation, noting the Village must use the proceeds to design and build a water treatment plant. We scanned the Monthly Payouts Report and noted the Village paid certain water treatment plant capital outlay and OWDA debt service obligations identified in Step #3 using proceeds of an OPWC loan. Debt payments were unallowable expenditures as noted under Step #3. Additionally, this fund received grant and loan proceeds in 2012 and 2011. As the Water Treatment Design Loan Fund also received and expended grant proceeds and maintained deficit fund balances, (\$79,005) January 1, 2011 and (\$26,101) at December 31, 2012, we could not determine the amount of unspent debt proceeds.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Monthly Payouts report and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Summary Report or remittance stub to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions. However, payroll rates and salary were approved at year end for the year just completed. The Village should formally approve rates and salary prior to an individual receiving pay based upon the rate or salary to mitigate the risk of employees being paid incorrectly.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the minutes record. We also determined whether the payment was posted to the proper year. We found no exceptions.

Payroll Cash Disbursements (Continued)

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2012. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2013	January 1, 2013	\$1,531	\$1,531
State income taxes	January 15, 2013	January 1, 2013	\$310	\$310
Village of Killbuck income taxes	January 31, 2013	January 1, 2013	\$389	\$389
Danville Local School District income taxes	January 31, 2013	January 1, 2013	\$33	\$33
OPERS retirement	January 30, 2013	January 1, 2013	\$3,021	\$3,021

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Monthly Payouts Report for the year ended December 31, 2012 and ten from the year ended 2011 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Monthly Payouts Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found nine instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued.. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Profit and Loss Budget vs Actual Report for the General, Water and Sewer Funds for the years ended December 31, 2012 and 2011. The amounts on the *Certificate* agreed to the amount recorded in the accounting system, except for the General and Sewer Fund for 2012 and 2011. The Profit and Loss Budget vs Actual Report recorded budgeted (i.e. certified) resources for the General and Sewer funds for \$181,900 and \$237,000, respectively for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$188,644 and \$271,000 for the General and Sewer funds, respectively. The Profit and Loss Budget vs Actual Report recorded budgeted (i.e. certified) resources for the General and Sewer Funds for \$138,705 and \$270,050, respectively for 2011. However, the final *Amended Official Certificate of Estimated Resources* reflected \$134,355 and \$270,000 for the General and Sewer Funds, respectively. The fiscal officer should periodically compare amounts recorded in the Profit and Loss Budget vs Actual Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, for the General, Water and Sewer Funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Profit and Loss Budget vs Actual Report for 2012 and 2011 for the following funds: General, Water and Sewer. The amounts on the appropriation resolutions agreed to the amounts recorded in the Profit and Loss Budget vs Actual Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Water and Sewer Funds for the years ended December 31, 2012 and 2011. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2012 and 2011 for the General, Water and Sewer Funds, as recorded in the Profit and Loss Budget vs Actual Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Transaction Detail by Account report for evidence of new restricted receipts requiring a new fund during December 31, 2012 and 2011. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2012 and 2011 Profit and Loss Budget vs Actual Report, Monthly Payouts report and Transaction Detail by Account report for evidence of interfund transfers exceeding \$10 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.

Compliance – Budgetary (Continued)

8. We inquired of management and scanned the Monthly Payouts Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Monthly Payouts Report and Profit and Loss Budget vs Actual Report for the years ended December 31, 2012 and 2011 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

June 7, 2013



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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
JUNE 27, 2013**