

***KILLBUCK TOWNSHIP
HOLMES COUNTY, OHIO***

AUDIT REPORT

For the Year Ended December 31, 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Killbuck Township, Holmes County
8960 Township Road 79
Millersburg, Ohio 44654

We have reviewed the *Report of Independent Accountants* of Killbuck Township, Holmes County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 to December 31, 2004. 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. Killbuck Township, Holmes County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 8, 2005

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KILLBUCK TOWNSHIP
Holmes County
Audit Report
For the year ended December 31, 2004

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Trustees
Killbuck Township
Killbuck, Ohio**

We have audited the accompanying financial statements of the governmental activities and each major fund of Killbuck Township, Holmes County, Ohio, (the Township), as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to reasonably assure 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 audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis 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 respective cash basis financial position of the governmental activities and each major fund of Killbuck Township, Holmes County as of December 31, 2004, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund and each major Special Revenue Fund for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 21, 2005 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 and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

**Killbuck Township
Report of Independent Accountants
Page -2-**

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

***Charles E. Harris & Associates, Inc.*
July 21, 2005**

Killbuck Township
Holmes County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004

The discussion and analysis of Killbuck Township's (the Township) financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2004, within the limitations of the Township's cash basis of accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements themselves to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

- For governmental activities, net assets increased \$24,446, which represents a 29 percent increase from 2003.
- General receipts accounted for \$172,499 in receipts or 54 percent of all governmental receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$144,140 or 46 percent of total governmental receipts of \$316,639.
- The Township had \$292,193 in disbursements related to governmental activities; only \$144,140 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily property and other local taxes) of \$172,499 were adequate to provide for these programs.
- Among major funds, the general fund had \$35,319 in receipts and \$40,137 in disbursements. The general fund's fund balance decreased to \$3,535 from \$8,353. Of the other major funds, the Road and Bridge fund's fund balance increased \$25,467 to \$31,841.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand The Township as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provides information about the activities of the whole Township, presenting an aggregate view of the Township finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed. The fund financial statements also look at

Killbuck Township
Holmes County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004

the Township's most significant funds with all other non-major funds presented in total in one column.

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the Township did financially during 2004, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These two statements report the Township's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Township as a whole, the *financial position* of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Township's property tax base, current property tax laws in Ohio restricting receipts growth, facility conditions and other factors.

In the Statement of Net Assets and the Statement of Activities, the Township has one kind of activity. Governmental Activities are where most of the Township's programs and services are reported, including general government, public safety, public works, health, capital outlay, and debt service.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The analysis of the Township's major funds begins on page 11. Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the Township's most significant funds. The Township's major governmental funds are the general fund, motor vehicle license tax, gasoline tax, road and bridge, special levy 2191, and special levy 2192.

Killbuck Township
Holmes County
 Management's Discussion and Analysis
 For the Fiscal Year Ended December 31, 2004

Governmental Funds Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

The Township as a Whole

Table 1 shows net assets for fiscal year 2004. Since this is the first year the Township has prepared financial statements following this financial statement presentation, net asset comparisons to fiscal year 2003 are not available.

Table 1

	Governmental Activities
Assets:	
Cash and Investments	\$ 109,440
<i>Total Assets</i>	109,440
 Net Assets:	
Restricted	105,905
Unrestricted	3,535
<i>Total Net Assets</i>	\$ 109,440

Table 2 shows the net changes in net assets for fiscal year 2004. Since this is the first year the Township has prepared the financial statements following this financial statement presentation, receipts and disbursement comparisons to fiscal year 2003 are not available.

Killbuck Township
Holmes County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004

Table 2

	Governmental Activities
Charges for Services and Sales	\$ 17,327
Operating Grants and Contributions	126,813
General Receipts:	
Property Taxes	96,144
Other Local Taxes	17,337
Grants and Entitlements	23,818
Sale of Capital Assets	891
Interest	362
Miscellaneous	33,947
Total Receipts	316,639
Disbursements:	
Current:	
General Government	64,401
Public Safety	43,617
Public Works	105,879
Health	7,427
Capital Outlay	48,978
Debt Service:	
Principal Retirement	19,984
Fiscal and Interest Charges	1,907
Total Disbursements	292,193
Changes in Net Assets	\$ 24,446

Governmental Activities

Net assets of the Township's governmental activities increased by \$24,446. The governmental disbursements of \$292,193 were primarily offset by program receipts of \$144,140, general receipts of \$172,499 and the prior year cash balance. Program receipts supported 49% of the total governmental activities.

The primary sources of receipts for governmental activities are derived from property taxes, and operating grants. These two receipts sources represent 70% of total governmental receipts.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state entitlements.

Killbuck Township
Holmes County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004

Table 3

**Total and Cost of Program Services
Governmental Activities**

	Total Cost of Service	Net Cost of Service
General Government	\$ 64,401	\$ 61,510
Public Safety	43,617	26,864
Public Works	105,879	(18,617)
Health	7,427	7,427
Capital Outlay	48,978	48,978
Debt Service:		
Principal Retirement	19,984	19,984
Interest and Fiscal Charges	1,907	1,907
Total Disbursements	<u>\$ 292,193</u>	<u>\$ 148,053</u>

Over 49 percent of general government activities are supported through operating grants and contributions receipts. For all governmental activities, general receipts and prior year cash balance support all disbursements as shown in the above table. The community, as a whole, is by far the primary support for Killbuck Township.

The Township's Funds

Information about the Township's major funds starts on page 11. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$316,639 and disbursements of \$292,193. The net change in fund balance for the year was most significant in the road and bridge fund, where the fund's net assets increased by \$25,467 for fiscal year 2004.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of fiscal year 2004 the Township amended its General Fund budget several times. The Township uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts were \$33,600. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) were \$40,137, \$4,818 over cash receipts.

Killbuck Township
Holmes County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004

Debt

At December 31, 2004, the Township had \$26,386 in General Obligation Notes.

Current Financial Related Activities

Killbuck Township is strong financially. As the preceding information shows, the Township heavily depends on its taxpayers. However, financially the future is not without challenges.

Contacting the Township's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information contact Denise Schlabach, Clerk at 8960 Township Road 79, Millersburg, Ohio 44654.

Killbuck Township, Holmes County

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Equity in Pooled Cash	\$ 109,440	\$ 109,440
<i>Total Assets</i>	<u>\$ 109,440</u>	<u>\$ 109,440</u>
Net Assets		
Restricted for:		
Other Purposes	105,905	105,905
Unrestricted	<u>3,535</u>	<u>3,535</u>
<i>Total Net Assets</i>	<u>\$ 109,440</u>	<u>\$ 109,440</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 64,401	\$ -	\$ 2,891	\$ (61,510)
Public Safety	43,617	11,044	5,709	(26,864)
Public Works	105,879	6,283	118,213	18,617
Health	7,427	-	-	(7,427)
Capital Outlay	48,978	-	-	(48,978)
Debt Service:				
Principal Retirement	19,984	-	-	(19,984)
Interest and Interest Charges	1,907	-	-	(1,907)
<i>Total Governmental Activities</i>	<u>292,193</u>	<u>17,327</u>	<u>126,813</u>	<u>(148,053)</u>
Total	<u>\$ 292,193</u>	<u>\$ 17,327</u>	<u>\$ 126,813</u>	<u>\$ (148,053)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				\$ 9,119
Special Services				87,025
Other Local Taxes				17,337
Grants and Entitlements not Restricted to Specific Programs				23,818
Sale of Capital Assets				891
Interest				362
Miscellaneous				33,947
<i>Total General Receipts</i>				<u>172,499</u>
Change in Net Assets				24,446
<i>Net Assets Beginning of Year</i>				<u>84,994</u>
<i>Net Assets End of Year</i>				<u>\$ 109,440</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Special Levy 2191	Special Levy 2192	Total Governmental Funds
Assets							
Equity in Pooled Cash	\$ 3,535	\$ 12,414	\$ 17,447	\$ 31,841	\$ 26,873	\$ 17,330	\$ 109,440
<i>Total Assets</i>	<u>\$ 3,535</u>	<u>\$ 12,414</u>	<u>\$ 17,447</u>	<u>\$ 31,841</u>	<u>\$ 26,873</u>	<u>\$ 17,330</u>	<u>\$ 109,440</u>
Fund Balances							
Unreserved:							
Undesignated, Reported in:							
General Fund	\$ 3,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,535
Special Revenue Funds	-	12,414	17,447	31,841	26,873	17,330	105,905
<i>Total Fund Balances</i>	<u>\$ 3,535</u>	<u>\$ 12,414</u>	<u>\$ 17,447</u>	<u>\$ 31,841</u>	<u>\$ 26,873</u>	<u>\$ 17,330</u>	<u>\$ 109,440</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004

Total Governmental Fund Balances	<u>\$ 109,440</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 109,440</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Special Levy 2191	Special Levy 2192	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 10,411	\$ -	\$ -	\$ 24,948	\$ 51,847	\$ 26,275	\$ 113,481
Charges for Services	-	-	-	6,282	11,044	-	17,326
Intergovernmental	23,818	21,931	61,943	34,340	5,709	2,891	150,632
Interest	278	31	53	-	-	-	362
Other	812	-	-	24	33,111	-	33,947
<i>Total Receipts</i>	<u>35,319</u>	<u>21,962</u>	<u>61,996</u>	<u>65,594</u>	<u>101,711</u>	<u>29,166</u>	<u>315,748</u>
Disbursements							
Current:							
General Government	32,710	-	-	652	30,326	713	64,401
Public Safety	-	-	-	-	43,617	-	43,617
Public Works	-	11,792	54,612	39,475	-	-	105,879
Health	7,427	-	-	-	-	-	7,427
Capital Outlay	-	-	828	-	42,475	5,675	48,978
Debt Service:							
Principal Retirement	-	-	3,782	-	-	16,202	19,984
Interest and Fiscal Charges	-	-	981	-	-	926	1,907
<i>Total Disbursements</i>	<u>40,137</u>	<u>11,792</u>	<u>60,203</u>	<u>40,127</u>	<u>116,418</u>	<u>23,516</u>	<u>292,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,818)</u>	<u>10,170</u>	<u>1,793</u>	<u>25,467</u>	<u>(14,707)</u>	<u>5,650</u>	<u>23,555</u>
Other Financing Sources (Uses)							
Sale of Capital Assets	-	-	-	-	891	-	891
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>891</u>	<u>-</u>	<u>891</u>
<i>Net Change in Fund Balances</i>	<u>(4,818)</u>	<u>10,170</u>	<u>1,793</u>	<u>25,467</u>	<u>(13,816)</u>	<u>5,650</u>	<u>24,446</u>
<i>Fund Balances Beginning of Year</i>	<u>8,353</u>	<u>2,244</u>	<u>15,654</u>	<u>6,374</u>	<u>40,689</u>	<u>11,680</u>	<u>84,994</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,535</u>	<u>\$ 12,414</u>	<u>\$ 17,447</u>	<u>\$ 31,841</u>	<u>\$ 26,873</u>	<u>\$ 17,330</u>	<u>\$ 109,440</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2004*

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 24,446</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 24,446</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -(Budget Basis)
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 9,905	\$ 9,905	\$ 10,411	\$ 506
Intergovernmental	22,659	22,659	23,818	1,159
Interest	264	264	278	14
Other	772	772	812	40
<i>Total receipts</i>	<u>33,600</u>	<u>33,600</u>	<u>35,319</u>	<u>1,719</u>
Disbursements				
Current:				
General Government	34,187	34,187	32,710	1,477
Health	7,763	7,763	7,427	336
<i>Total Disbursements</i>	<u>41,950</u>	<u>41,950</u>	<u>40,137</u>	<u>1,813</u>
<i>Net Change in Fund Balance</i>	(8,350)	(8,350)	(4,818)	3,532
<i>Fund Balance Beginning of Year</i>	<u>8,353</u>	<u>8,353</u>	<u>8,353</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3,535</u>	<u>\$ 3,532</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -(Budget Basis)
Motor Vehicle License Tax
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 18,404	\$ 18,404	\$ 21,931	\$ 3,527
Interest	26	26	31	5
<i>Total receipts</i>	<u>18,430</u>	<u>18,430</u>	<u>21,962</u>	<u>3,532</u>
Disbursements				
Current:				
Public Works	<u>19,550</u>	<u>19,550</u>	<u>11,792</u>	<u>7,758</u>
<i>Total Disbursements</i>	<u>19,550</u>	<u>19,550</u>	<u>11,792</u>	<u>7,758</u>
<i>Net Change in Fund Balance</i>	(1,120)	(1,120)	10,170	11,290
<i>Fund Balance Beginning of Year</i>	<u>2,244</u>	<u>2,244</u>	<u>2,244</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,124</u>	<u>\$ 1,124</u>	<u>\$ 12,414</u>	<u>\$ 11,290</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -(Budget Basis)
Gasoline Tax
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 61,734	\$ 55,033	\$ 61,943	\$ 6,910
Interest	53	47	53	6
<i>Total receipts</i>	<u>61,787</u>	<u>55,080</u>	<u>61,996</u>	<u>6,916</u>
Disbursements				
Current:				
Public Works	52,704	60,868	54,612	6,256
Capital Outlay	1,103	1,274	828	446
Debt Service:				
Principal Retirement	3,346	3,865	3,782	83
Interest and Fiscal Charges	947	1,094	981	113
<i>Total Disbursements</i>	<u>58,100</u>	<u>67,100</u>	<u>60,203</u>	<u>6,897</u>
<i>Net Change in Fund Balance</i>	3,687	(12,020)	1,793	13,813
<i>Fund Balance Beginning of Year</i>	<u>15,654</u>	<u>15,654</u>	<u>15,654</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 19,341</u>	<u>\$ 3,634</u>	<u>\$ 17,447</u>	<u>\$ 13,813</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -(Budget Basis)
Road and Bridge
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 15,252	\$ 15,252	\$ 24,948	9,696
Charges for Services	3,840	3,840	6,282	2,442
Intergovernmental	20,993	20,993	34,340	13,347
Miscellaneous	15	15	24	9
<i>Total receipts</i>	<u>40,100</u>	<u>40,100</u>	<u>65,594</u>	<u>25,494</u>
Disbursements				
Current:				
General Government	753	753	652	101
Public Works	45,597	45,597	39,475	6,122
<i>Total Disbursements</i>	<u>46,350</u>	<u>46,350</u>	<u>40,127</u>	<u>6,223</u>
<i>Net Change in Fund Balance</i>	(6,250)	(6,250)	25,467	31,717
<i>Fund Balance Beginning of Year</i>	<u>6,374</u>	<u>6,374</u>	<u>6,374</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 124</u>	<u>\$ 124</u>	<u>\$ 31,841</u>	<u>\$ 31,717</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -(Budget Basis)
Special Levy 2191
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 51,646	\$ 46,197	\$ 51,847	5,650
Charges for Services	11,001	9,841	11,044	1,203
Intergovernmental	5,687	5,087	5,709	622
Miscellaneous	32,982	29,502	33,111	3,609
<i>Total receipts</i>	<u>101,316</u>	<u>90,627</u>	<u>101,711</u>	<u>11,084</u>
Disbursements				
Current:				
General Government	19,615	27,429	30,326	(2,897)
Public Safety	28,212	39,452	43,617	(4,165)
Capital Outlay	27,473	38,419	42,475	(4,056)
<i>Total Disbursements</i>	<u>75,300</u>	<u>105,300</u>	<u>116,418</u>	<u>(11,118)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	26,016	(14,673)	(14,707)	-
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	891	(891)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>891</u>	<u>(891)</u>
<i>Net Change in Fund Balance</i>	26,016	(14,673)	(13,816)	-
<i>Fund Balance Beginning of Year</i>	<u>40,689</u>	<u>40,689</u>	<u>40,689</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 66,705</u>	<u>\$ 26,016</u>	<u>\$ 26,873</u>	<u>\$ -</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -(Budget Basis)
Special Levy 2192
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 22,252	\$ 22,252	\$ 26,275	4,023
Intergovernmental	2,448	2,448	2,891	443
<i>Total receipts</i>	<u>24,700</u>	<u>24,700</u>	<u>29,166</u>	<u>4,466</u>
Disbursements				
Current:				
General Government	1,016	1,016	713	303
Capital Outlay	7,636	7,636	5,675	1,961
Debt Service:				
Principal Retirement	23,086	23,086	16,202	6,884
Interest and Fiscal Charges	1,762	1,762	926	836
<i>Total Disbursements</i>	<u>33,500</u>	<u>33,500</u>	<u>23,516</u>	<u>9,984</u>
<i>Net Change in Fund Balance</i>	(8,800)	(8,800)	5,650	14,450
<i>Fund Balance Beginning of Year</i>	<u>11,680</u>	<u>11,680</u>	<u>11,680</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,880</u>	<u>\$ 2,880</u>	<u>\$ 17,330</u>	<u>\$ 14,450</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2004

	<u>Private-Purpose Trust</u>
Assets	
Equity in Pooled Cash and Investments	\$ 2,022
<i>Total Assets</i>	<u>\$ 2,022</u>
Net Assets	
Restricted	<u>\$ 2,022</u>

See accompanying notes to the financial statements

Killbuck Township, Holmes County
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2004

	Private-Purpose Trust
Additions	
Interest	\$ 15
<i>Total Additions</i>	15
Deductions	
Other	-
<i>Total Deductions</i>	-
Change in Net Assets	15
Net Assets - Beginning of Year	2,007
Net Assets - End of Year	\$ 2,022

See accompanying notes to the financial statements

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 1 – Reporting Entity

Killbuck Township, (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by three publicly-elected Trustees. The Township also has an elected Clerk.

The Township's management believes the financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. There are no component units within the Township.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except the fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the Township at year-end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are recorded by function. A function is group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program receipts, are presented as general receipts of the Township, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at a more detail level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. Funds are classified into two categories: governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General fund, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Special Levy 2191 and Special Levy 2192. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust fund accounts for programs that support the Township's cemetery.

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township Board of Trustees may appropriate.

The appropriations ordinance is the Township's Board of Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Township Board of Trustees. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township Board of Trustees.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township Board of Trustees during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash".

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

During 2004, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interested earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 were \$362.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted assets at year-end.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are recorded when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special purposes.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which are not available for appropriation or which is legally segregated for a specific future use. There were no designations at year-end. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. No fund balance reserves have been established.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. There were no such activities for the year.

Note 3 – Change in Presentation and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented a cash basis of accounting presentation described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The calculation of net assets of governmental type activities at December 31, 2003 is as follows:

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

	General Fund	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Special Levy 2191	Special Levy 2192	Governmental Activities
Fund Balance December 31, 2003	\$ 8,353	\$ 2,244	\$ 15,654	\$ 6,374	\$ 40,689	\$ 11,680	\$ 84,994
Governmental Activities Net Assets December 31, 2003							\$ 84,994

Note 4 – Accountability and Compliance

Contrary to Ohio Revised Code Section 5705.4(D)(1), the Township did certify all disbursements before incurring the liability.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and all major Special Revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is that outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no outstanding encumbrances at year-end.

Note 6 – Deposits and Investments

State statutes classify deposits held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Township has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

1. United State Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United State;

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year-end, the carrying amount of the Township's deposits were \$111,462 and the bank balance was \$112,440. Of the bank balance, \$100,000 was covered by federal depository insurance and \$12,440 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

The Township's investments are categorized in the following table to give an indication of the level of credit risk assumed by the entity at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the Township or its safekeeping agent in the Township's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Township name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Township name. The Township had no investments at year-end.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2004, was \$6.65 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

Real Property	
Residential	\$ 6,698,720
Agriculture	5,932,650
Commercial/Industrial/Mineral	1,413,330
Public Utility Personal Property	934,160
Tangible Personal Property	760,790
Total Assessed Value	<u>\$15,739,650</u>

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the Township contracted with an insurance company for the following coverages:

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

General Liability	
General Aggregate Limit	\$3,000,000
Personal & Advertising Injury Limit	\$1,000,000 Per Occurrence
Damage to Premises Rented	\$ 100,000 Per Premises
Employee Benefit and Liability	
Aggregate Limit	\$ 300,000
Each Employee	\$ 100,000
Business Auto Coverage	
Liability (Bodily Injury and Property Damage)	\$1,000,000 Per Accident
Uninsured and Under-Insured Motorists (Bodily Injury)	\$1,000,000
Employee Liability Insurance	
Bodily Injury by Accident	\$ 100,000 Each Accident
Bodily Injury by Disease	\$ 500,000 Policy Limit
Bodily Injury by Disease	\$ 100,000 Each Employee
Commercial Inland Marine	
Equipment	\$ 106,000
Data Processing Equipment	\$ 2,500
Public Officials Liability and Employee Practices Liability	
Annual Aggregate Limit	\$1,000,000
Each Claim Limit	\$1,000,000
Commercial Property	
Blanket Building and Personal Property	\$ 477,208

There were no significant reductions in coverage from the prior year and claims have not exceeded insurance coverages in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate of \$100 of salaries. This rate is based on accident history and administrative costs.

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by a retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's contributions for pension obligations to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$8,491, \$8,121, and \$7,841; respectively; 100% representing the paid contribution for all three years.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$2,507. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

KILLBUCK TOWNSHIP
Notes to the Financial Statements
For the Year Ended December 31, 2004

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11 – Debt

Debt outstanding at December 31, 2004 was as follows:

	Balance	Retired	Balance
	1/1/2004		12/31/04
2001 General Obligation			
Fire Truck Note 6.25%	\$ 22,892	(\$16,202)	\$ 6,690
2003 General Obligation			
Dump Truck and Backhoe Note 4.50%	23,478	(3,782)	19,696
Total	\$ 46,370	(\$19,984)	\$ 26,386

The general obligation notes were issued to finance the purchase of a new fire truck and dump truck to be used for Township fire protection and road maintenance, respectively. The fire truck note is collateralized by the truck purchased. The dump truck note is collateralized solely by the Township's taxing authority.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Year Ending	2001	2003
12/31	G.O. Note	G.O. Note
2005	\$ 6,804	\$ 4,764
2006	-	4,764
2007	-	4,764
2008	-	4,764
2009	-	2,779
Total	\$ 6,804	\$ 21,835

Note 12 – Contingent Liabilities

The Township may be a defendant in various lawsuits. Although management cannot presently determine the outcome of these suits, it is the opinion of the Township legal council that the resolution of these matters will not materially adversely affect the Township's financial condition.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Trustees
Killbuck Township
Killbuck, Ohio**

We have audited the financial statements of the governmental activities and each major fund of Killbuck Township, Holmes County as and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 21, 2005, wherein we noted the Township followed the cash basis of accounting rather than generally accepted accounting principles. We conducted our audit 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.

Internal Controls 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 an opinion 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 involving 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 to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-Killbuck-02.

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 caused by errors or fraud 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 over financial reporting that might be material weaknesses. However, we believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated July 21, 2005.

Compliance and Other Matters

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-Killbuck-01.

We also noted certain other additional matters that we have reported to management of the Township in a separate letter dated July 21, 2005.

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

Charles E. Harris & Associates, Inc.
July 21, 2005

**KILLBUCK TOWNSHIP
Holmes County, Ohio
For The Year Ended December 31, 2004**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2004-Killbuck-001

Noncompliance Citation

Clerk's Certificate and Expenditures

Ohio Revised Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Clerk-Treasurer attached. The Clerk-Treasurer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the basic requirement stated above, one of which is provided for in section 5705.41(D)(1) of the Revised Code.

"Then and Now" Certificate: If the Clerk-Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that she is completing her certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the Clerk-Treasurer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During our test of expenditures we found instances of expenditures being made without the Clerk-Treasurer's certificate. 72% (21 out of 29) of items tested had expenditures and encumbrances made without appropriation. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

KILLBUCK TOWNSHIP
Holmes County, Ohio
For The Year Ended December 31, 2004

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2004-Killbuck-001 – (continued)

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5704.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

During 2005 the Clerk-Treasurer initiated the use of the “then and now certificate” to correct the problem.

Finding Number 2004-Killbuck-002

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 log 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 has been properly reimbursed. Also, there were no policies regulating gasoline usage.

To help ensure the completeness and accuracy of the amount 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 gasoline is placed in any vehicle operated by Township or Volunteer Fire Department officials or employees for Township or Fire Department business.
- The Township Volunteer Fire Department should maintain a gasoline usage log into which is recorded all gasoline pumped. The log should record the following: whether the gasoline is for the Volunteer Fire Department or the Township, the date on which it was pumped, gallons pumped, and the signature of the person pumping gas. From the log, an invoice can be prepared to present to the Township for the gasoline used by the Township.
- Establishment of a billing policy in order for the Volunteer Fire Department to bill the Township for the appropriate amount of gasoline used. (i.e. monthly, quarterly, etc.).

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

KILLBUCK TOWNSHIP
Holmes County, Ohio
For The Year Ended December 31, 2004

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:
2003-Killbuck-001	Ohio Rev. Code Section 5705.41(D) during 2002 & 2001 53% of expenditures tested were not properly certified by the Township Clerk prior to incurring the commitment.	No	Refer to Finding 2004-Killbuck-001
2003-Killbuck-002	Reportable Condition – Volunteer Fire Dept gasoline pump used by Township. Usage by Township could not be determined.	No	Refer to Finding 2004-Killbuck-002



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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
DECEMBER 20, 2005**