



**KNOX TOWNSHIP
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**KNOX TOWNSHIP
HOLMES COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Knox Township
Holmes County
5375 County Road 22
Glenmont, Ohio 44628

To the Board of Trustees:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results for our audits.

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

Jim Petro
Auditor of State

June 15, 2001

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**KNOX TOWNSHIP
HOLMES COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Taxes	\$19,610	\$25,663	\$45,273
Charges for Services		5,240	5,240
Intergovernmental	31,791	64,733	96,524
Interest	1,265	1,221	2,486
Other Revenue	1,466	690	2,156
 Total Cash Receipts	 54,132	 97,547	 151,679
Cash Disbursements:			
Current:			
General Government	38,883		38,883
Public Works		87,590	87,590
Health	4,816		4,816
Debt Service:			
Redemption of Principal		14,215	14,215
Interest and Fiscal Charges		1,403	1,403
Capital Outlay	55	31,537	31,592
 Total Cash Disbursements	 43,754	 134,745	 178,499
 Total Cash Receipts Over/(Under) Cash Disbursements	 10,378	 (37,198)	 (26,820)
Other Financing Receipts:			
Loan Proceeds		31,537	31,537
 Excess of Cash Receipts and Other Financing Receipts Over/Under Cash Disbursements	 10,378	 (5,661)	 4,717
 Fund Cash Balances, January 1	 51,006	 58,575	 109,581
 Fund Cash Balances, December 31	 \$61,384	 \$52,914	 \$114,298
 Reserves for Encumbrances, December 31	 \$0	 \$0	 \$0

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

**KNOX TOWNSHIP
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$18,976	\$24,795	\$43,771
Charges for Services		5,880	5,880
Intergovernmental	27,680	64,479	92,159
Interest	1,199	898	2,097
Other Revenue	1,935	710	2,645
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	49,790	96,762	146,552
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	42,836		42,836
Public Works		74,482	74,482
Health	4,719		4,719
Debt Service:			
Redemption of Principal		4,584	4,584
Interest and Fiscal Charges		802	802
Capital Outlay		7	7
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,555	79,875	127,430
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	2,235	16,887	19,122
Fund Cash Balances, January 1	48,771	41,688	90,459
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$51,006</u>	<u>\$58,575</u>	<u>\$109,581</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$0	\$0	\$0
	<hr/>	<hr/>	<hr/>

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

**KNOX TOWNSHIP
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Knox Township, Holmes County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and ditch maintenance. Fire protection, ambulance and emergency medical services and police protection are provided to the Township by Western Holmes County Fire District and the Holmes County Sheriff's Department, respectively.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Township maintains all of its cash in an interest-bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads.

Road District Fund - This fund receives tax revenues from the County Auditor for constructing, maintaining and repairing Township roads.

**KNOX TOWNSHIP
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level, which is the Township's legal level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation in certain circumstances, such as upon leaving employment. Unpaid vacation is not reflected as a liability under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$114,298	\$109,581

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

**KNOX TOWNSHIP
HOLMES COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,550	\$54,132	\$14,582
Special Revenue	88,900	129,084	40,184
Total	\$128,450	\$183,216	\$54,766

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,600	\$43,754	\$45,846
Special Revenue	146,000	134,745	11,255
Total	\$235,600	\$178,499	\$57,101

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,950	\$49,790	\$13,840
Special Revenue	85,800	96,762	10,962
Total	\$121,750	\$146,552	\$24,802

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,700	\$47,555	\$37,145
Special Revenue	126,000	79,875	46,125
Total	\$210,700	\$127,430	\$83,270

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41 (D), certain 2000 and 1999 expenditures were not certified as to the availability of funds until the time of payment.

**KNOX TOWNSHIP
HOLMES COUNTY**

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

4. NONCOMPLIANCE (Continued)

Contrary to Ohio Adm. Code Sections 117-3-21, 117-3-22 and 117-3-23, certain 2000 and 1999 receipts and expenditures initially were not properly classified and recorded on the Township's financial statements.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
2000 Ford F-350 Cab & Chassis Loan	\$ 31,537	7.50%

This loan is from The Killbuck Savings Bank for the purchase of a Ford F-350 Cab & Chassis. This loan will be repaid in monthly installments, including interest, over 5 years.

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

Year ending December 31:	Ford F-350 Loan
2001	\$7,622
2002	7,622
2003	7,622
2004	7,622
2005	7,622
Total	\$38,110

**KNOX TOWNSHIP
HOLMES COUNTY**

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

7. RETIREMENT SYSTEM

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

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

8. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

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

Knox Township
Holmes County
5375 County Road 22
Glenmont, Ohio 44628

To the Board of Trustees:

We have audited the accompanying financial statements of Knox Township, Holmes County, Ohio, (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 15, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-40938-001 and 2000-40938-002.

In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 15, 2001.

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

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

Jim Petro
Auditor of State

June 15, 2001

**KNOX TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40938-001

Noncompliance Citation

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

This section also provides two "exceptions" to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipts of such certificate.

2. If the amount involved is less than \$1,000, the Township Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees.

During 2000 and 1999, 97% (58 out of 60) of expenditures tested were certified after the obligation date. Also, neither of the two exceptions were utilized. We recommend the Township Clerk inform all Township employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Township should certify the availability of funds prior to incurring any obligation, in order to avoid overspending. The Township should also implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41 (D). However, such certifications should only be used for reoccurring and reasonably predictable matters or emergency matters which may arise from time to time.

FINDING NUMBER 2000-40938-002

Ohio Adm. Code Sections 117-3-21, 117-3-22 and 117-3-23 establish guidelines for the proper coding and classification of Township receipts and expenditures. During 2000 and 1999, the Township Clerk recorded Dust Control receipts as Other Receipts rather than as Charges for Services. In addition, the Township Clerk recorded the Champion Road Grader Note principal and interest as a capital outlay expenditure rather than as redemption of principal and interest. Finally, the Township Clerk did not record proceeds from a loan as Loan Proceeds and the initial purchase of a truck as a capital outlay expenditure. As a result, Charges for Services, Loan Proceeds, Redemption of Principal and Interest and Capital Outlay were initially understated and Other Receipts and Capital Outlay expenditures were initially overstated as follows:

Receipts	Expenditures	Amount
Fiscal Year 2000		
Dust Control		\$6,240
Loan Proceeds		31,537
	Capital Outlay	15,618
	Capital Outlay	31,537
Fiscal Year 1999		
Dust Control		5,880
	Capital Outlay	5,386

The Township Clerk should accurately record all Township receipts and expenditures by code and classification using Ohio Adm. Code Sections 117-3-21, 117-3-22 and 117-3-23 as a guideline. This will help ensure Township receipts and expenditures are properly coded and classified. (These receipts and expenditures have been subsequently reclassified and adjusted on the Township's financial statements.)

**KNOX TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
1998-40938-001	95% of the Township's expenditures were not certified in accordance with Ohio Rev. Code Section 5705.41 (D)	No	During 2000 and 1999, 97% of cash disbursements were not properly certified. Board of Trustees are working in cooperation with the Township Clerk to strengthen internal controls over cash disbursements.
1998-40938-002	The Township did not record issue II monies in the Special Revenue Fund Type in accordance with Ohio Rev. Code Section 5705.42.	No Longer Valid	The Township did not receive Issue II monies during 2000 and 1999.
1998-40938-003	The Township did not obtain and increased amended certificate for Issue II monies in the Special Revenue Fund Type in accordance with 5705.36.	No Longer Valid	The Township did not receive Issue II monies during 2000 and 1999.
1998-40938-004	The Township did not appropriate for Issue II monies in accordance with 5705.41 (B)	No Longer Valid	The Township did not receive Issue II monies during 2000 and 1999.



STATE OF OHIO
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KNOX TOWNSHIP

HOLMES COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2001**