



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Nonexpendable Trust Fund - For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Types - For the Year Ended December 31, 2000	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Nonexpendable Trust Fund - For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Knox Township
Columbiana County
23876 Center Road
Homeworth, Ohio 44634

To the Board of Trustees:

We have audited the accompanying financial statements of Knox Township (the Township) as of and for the years ended December 31, 2001 and 2000. 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 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 audit 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 audit provides 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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

May 6, 2002

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$32,448	\$306,408	\$18,000	\$356,856
Intergovernmental	86,153	119,621		205,774
Special Assessments		5,744		5,744
Licenses, Permits and Fees	11,257	4,405		15,662
Fines, Forfeitures and Penalties	3,230	375		3,605
Interest	1,813	212		2,025
Other Revenue	7,784	2,700		10,484
Total Cash Receipts	<u>142,685</u>	<u>439,465</u>	<u>18,000</u>	<u>600,150</u>
Cash Disbursements:				
Current:				
General Government	79,678			79,678
Public Safety		195,941		195,941
Public Works	86,511	252,915		339,426
Health	15,751	5,635		21,386
Debt Service:				
Redemption of Principal			12,000	12,000
Interest and Fiscal Charges			578	578
Capital Outlay	54,609	5,537		60,146
Total Cash Disbursements	<u>236,549</u>	<u>460,028</u>	<u>12,578</u>	<u>709,155</u>
Total Receipts Over/(Under) Disbursements	<u>(93,864)</u>	<u>(20,563)</u>	<u>5,422</u>	<u>(109,005)</u>
Other Financing Receipts and (Disbursements):				
Sale of Notes	36,000			36,000
Sale of Assets	19,000			19,000
Transfers-In			578	578
Transfers-Out	(578)			(578)
Total Other Financing Receipts	<u>54,422</u>	<u>0</u>	<u>578</u>	<u>55,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(39,442)</u>	<u>(20,563)</u>	<u>6,000</u>	<u>(54,005)</u>
Fund Cash Balances, January 1	<u>89,665</u>	<u>112,787</u>	<u>6,000</u>	<u>208,452</u>
Fund Cash Balances, December 31	<u><u>\$50,223</u></u>	<u><u>\$92,224</u></u>	<u><u>\$12,000</u></u>	<u><u>\$154,447</u></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$6,744</u></u>	<u><u>\$0</u></u>	<u><u>\$6,744</u></u>

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

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	<u>\$83</u>
Total Operating Cash Receipts	<u>83</u>
Fund Cash Balances, January 1	<u>2,417</u>
Fund Cash Balances, December 31	<u><u>\$2,500</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>

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

**KNOX TOWNSHIP
COLUMBIANA 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**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$40,923	\$307,359	\$12,000	\$360,282
Intergovernmental	161,219	116,086		277,305
Special Assessments		6,017		6,017
Licenses, Permits and Fees	10,803	2,450		13,253
Fines, Forfeitures and Penalties	1,736	100		1,836
Interest	2,283	478		2,761
Other Revenue	214	1,212		1,426
	<u>217,178</u>	<u>433,702</u>	<u>12,000</u>	<u>662,880</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	72,264			72,264
Public Safety		201,979		201,979
Public Works	85,916	263,350		349,266
Health	13,291	5,470		18,761
Debt Service:				
Redemption of Principal			12,000	12,000
Interest and Fiscal Charges			1,134	1,134
Capital Outlay		640		640
	<u>171,471</u>	<u>471,439</u>	<u>13,134</u>	<u>656,044</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>45,707</u>	<u>(37,737)</u>	<u>(1,134)</u>	<u>6,836</u>
Other Financing Receipts and (Disbursements):				
Transfers-In			1,134	1,134
Transfers-Out	(1,134)			(1,134)
	<u>(1,134)</u>		<u>1,134</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>44,573</u>	<u>(37,737)</u>	<u>0</u>	<u>6,836</u>
Fund Cash Balances, January 1	45,092	150,524	6,000	201,616
Fund Cash Balances, December 31	<u><u>\$89,665</u></u>	<u><u>\$112,787</u></u>	<u><u>\$6,000</u></u>	<u><u>\$208,452</u></u>
Reserves for Encumbrances, December 31	<u>\$774</u>	<u>\$6,009</u>	<u>\$0</u>	<u>\$6,783</u>

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

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	<u>\$86</u>
Total Operating Cash Receipts	<u>86</u>
Fund Cash Balances, January 1	<u>2,331</u>
Fund Cash Balances, December 31	<u><u>\$2,417</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>

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

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Knox Township, Columbiana County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance. The Township contracts with the Columbiana County Sheriff's department to provide security of persons and property. The Township contracts with both the Homeworth Volunteer Fire Company and the North Georgetown Volunteer Fire Company to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Certificates of Deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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:

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Road and Bridge Fund - This fund receives property tax money restricted to constructing, maintaining and repairing roads and bridges within the Township.

Police Special Levy Fund – This fund receives property tax money restricted to providing police protection throughout the Township.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The General Bond (Note) Retirement Fund accounts for the retirement of the general obligation notes.

4. Fiduciary Funds (Nonexpendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund – This fund is a nonexpendable trust fund that utilizes interest revenues for the upkeep and maintenance of the cemetery. The principal must remain intact.

E. Budgetary Process

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

1. Appropriations

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

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$155,024	\$209,031
Certificates of deposit	1,923	1,838
Total deposits	<u>\$156,947</u>	<u>\$210,869</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,231	\$197,685	(\$2,546)
Special Revenue	437,076	439,465	2,389
Debt Service	6,600	18,578	11,978
Fiduciary	100	83	(17)
Total	\$644,007	\$655,811	\$11,804

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$289,580	\$237,127	\$52,453
Special Revenue	544,762	466,772	77,990
Debt Service	12,600	12,578	22
Total	\$846,942	\$716,477	\$130,465

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$195,927	\$217,178	\$21,251
Special Revenue	442,071	433,702	(8,369)
Debt Service	13,200	13,134	(66)
Fiduciary	100	86	(14)
Total	\$651,298	\$664,100	\$12,802

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,019	\$173,379	\$67,640
Special Revenue	587,018	477,448	109,570
Debt Service	13,200	13,134	66
Total	\$841,237	\$663,961	\$177,276

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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.

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Note	\$36,000	5.25%
Total	\$36,000	

The General Obligation Note was issued in 2001 to finance the purchase a Dump Truck for \$36,000 to be used within the Township. The note will be repaid in annual installments of \$12,000, plus interest, over 3 years.

The General Obligation Note is collateralized by the Township's taxing authority.

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

	General Obligation Note
Year ending December 31:	
2002	\$14,120
2003	13,414
2004	12,707
Total	\$40,241

6. RETIREMENT SYSTEMS

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. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**KNOX TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Knox Township
Columbiana County
23876 Center Road
Homeworth, Ohio 44634

To the Board of Trustees:

We have audited the accompanying financial statements of Knox Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 6, 2002. 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.

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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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KNOX TOWNSHIP

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 25, 2002**