



Dave Yost • Auditor of State



**KNOX TOWNSHIP  
VINTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Knox Township  
Vinton County  
72057 Harkins Chapel Rd.  
Albany, OH 45710

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Knox Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As described in Finding 2013-001 in the accompanying Schedule of Findings, the Township Trustees' salaries and benefits were paid from the Gasoline Tax Fund in the amount of \$7,413. However, the Trustees' timesheets indicated that this should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township did not make this adjustment during the audit period.

Also, as described in Finding 2013-003 in the accompanying Schedule of Findings, the Township Fiscal Officer's and Trustees' insurance reimbursements were paid from the Gasoline Tax Fund in the amount of \$5,675. However, the Fiscal Officer was compensated from the General Fund for the entire audit period and the Trustees should have had 22% paid from the General Fund in 2012 and 5% paid from the General Fund in 2013. Due to the impact this adjustment would have on the General Fund, the Township did not make this adjustment during the audit period.

Had the posting errors noted in the preceding paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$13,088 and the Gasoline Tax Fund would have been increased by \$13,088.

***Opinion on Regulatory Basis of Accounting***

Also, in our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraphs, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Knox Township, Vinton County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 2, 2014

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**KNOX TOWNSHIP  
VINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$8,613	\$22,090	\$30,703
Intergovernmental	11,237	101,301	112,538
Earnings on Investments	117	53	170
Miscellaneous	-	6,000	6,000
<i>Total Cash Receipts</i>	<u>19,967</u>	<u>129,444</u>	<u>149,411</u>
<b>Cash Disbursements</b>			
Current:			
General Government	15,870	2,823	18,693
Public Works	3,000	76,689	79,689
Health		9,391	9,391
Capital Outlay	-	9,569	9,569
Debt Service:			
Principal Retirement	-	9,095	9,095
Interest and Fiscal Charges	-	1,512	1,512
<i>Total Cash Disbursements</i>	<u>18,870</u>	<u>109,079</u>	<u>127,949</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,097</u>	<u>20,365</u>	<u>21,462</u>
<i>Net Change in Fund Cash Balances</i>	1,097	20,365	21,462
<i>Fund Cash Balances, January 1</i>	<u>7,728</u>	<u>111,768</u>	<u>119,496</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	132,133	132,133
Assigned	8,825	-	8,825
<i>Fund Cash Balances, December 31</i>	<u><u>\$8,825</u></u>	<u><u>\$132,133</u></u>	<u><u>\$140,958</u></u>

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$8,559	\$18,835	\$27,394
Intergovernmental	7,816	104,586	112,402
Earnings on Investments	132	82	214
Miscellaneous	1,645	-	1,645
<i>Total Cash Receipts</i>	<u>18,152</u>	<u>123,503</u>	<u>141,655</u>
<b>Cash Disbursements</b>			
Current:			
General Government	28,002	350	28,352
Public Safety	-	1,198	1,198
Public Works	-	105,376	105,376
Health	-	4,774	4,774
Capital Outlay	-	64,136	64,136
Debt Service:			
Principal Retirement	-	1,485	1,485
Interest and Fiscal Charges	-	283	283
<i>Total Cash Disbursements</i>	<u>28,002</u>	<u>177,602</u>	<u>205,604</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,850)</u>	<u>(54,099)</u>	<u>(63,949)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	-	48,314	48,314
Sale of Capital Assets	-	15,027	15,027
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>63,341</u>	<u>63,341</u>
<i>Net Change in Fund Cash Balances</i>	(9,850)	9,242	(608)
<i>Fund Cash Balances, January 1</i>	<u>17,578</u>	<u>102,526</u>	<u>120,104</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	111,768	111,768
Assigned	<u>7,728</u>	<u>0</u>	<u>7,728</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$7,728</u></u>	<u><u>\$111,768</u></u>	<u><u>\$119,496</u></u>

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Knox Township, Vinton County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Village of Zaleski to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Deposits and Investments**

All cash assets of the Township are maintained in an interest bearing checking account and savings account.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. Equity in Pooled Deposits and Investments**

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$140,958	\$119,496

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,500	\$19,967	\$6,467
Special Revenue	110,600	129,444	18,844
Total	\$124,100	\$149,411	\$25,311

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$21,100	\$18,870	\$2,230
Special Revenue	221,929	109,079	112,850
Total	\$243,030	\$127,949	\$115,081

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,151	\$18,152	\$4,001
Special Revenue	121,961	186,844	64,883
Total	\$136,112	\$204,996	\$68,884

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,674	\$28,002	\$9,672
Special Revenue	217,973	177,602	40,371
Total	\$255,647	\$205,604	\$50,043

Contrary to Ohio law, appropriations approved by the Trustees did not agree to amounts recorded in the Township's accounting system.

**4. Property Tax**

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Property Tax (Continued)**

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, 2013 was as follows:

	Principal	Interest Rate
General Obligation Note	\$37,984	3.52%
Total	\$37,984	

The Township acquired a general obligation note to finance the purchase of a new dump truck for Township road maintenance. The collateral pledged was the new dump truck, itself.

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

	General Obligation Notes
Year ending December 31:	
2014	\$9,723
2015	10,607
2016	10,607
2017	9,720
Total	\$40,657

**6. Retirement Systems**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. Risk Management**

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2012</u></b>
\$4,488	\$3,493

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Knox Township  
Vinton County  
72057 Harkins Chapel Rd.  
Albany, OH 45710

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Knox Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 2, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also issued a qualified opinion on the financial statements for 2013 and 2012 due to the Township not making a \$13,088 adjustment against the General Fund and in favor of the Gasoline Tax Fund

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001, 2013-003, and 2013-006 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-005.

***Entity's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 2, 2014

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Noncompliance Citation/Finding for Adjustment/Material Weakness**

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

During 2012 and 2013, the Township Trustees did not complete the required certifications but rather completed monthly timesheets. However, the timesheets did not support the paid allocation of 6% of the salary paid from the General Fund and 94% paid from the Gasoline Tax Fund for 2012 and 0% from the General Fund and 100% from the Gasoline Tax Fund for 2013. This resulted in the Township paying General Fund related salaries and benefits from the Gasoline Tax Fund in 2012 totaling \$6,026 and in 2013 totaling \$1,387. In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the General Fund in the amount of \$7,413 and in favor of the Gasoline Tax Fund.

The audited financial statements have not been adjusted to reflect the adjustment noted above and the Fiscal Officer has not made the adjustment to their records.

We recommend the Township review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding documenting the time spent by the Board of Trustees on various duties. Once these administrative procedures are established, Trustee salary and related benefits should be charged to the actual funds in accordance with the signed certifications of payroll.

**FINDING NUMBER 2013-002**

**Noncompliance Citation/Finding for Recovery**

Ohio Rev. Code § 505.24 defines, in part, the maximum compensation allowed for Township Trustees based on their annual budget.

During 2012, the Township Trustees were entitled to a maximum annual compensation of \$8,490, or \$42.45 per day up to a maximum of 200 days, or \$707.50 per month, based on the Township's budget being between \$250,001-\$500,000. The Township, however, erroneously paid the Trustees at the \$100,001-\$250,000 budget level of \$36.66 per day, or \$611 per month for January 2012. Then beginning in February 2012, the Trustees were paid \$849 per month for the remaining 11 months of 2012. The checks issuing the incorrect payments were signed by the Trustees and the Fiscal Officer. This resulted in each Township Trustee being overpaid by \$1,460.

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2013-002 (Continued)**

**Noncompliance Citation/Finding for Recovery (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Kenneth Brooks, Frank E. Perry, and Richard Zimmerman, Knox Township Trustees, Faith Harkins, Knox Township Fiscal Officer, Marie McVey, former Knox Township Fiscal Officer, and their surety companies, Ohio Township Association Risk Management Authority and Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$1,460 for Kenneth Brooks, \$1,460 Frank E. Perry, and \$1,460 for Richard Zimmerman, in favor of the General Fund in the amount of \$976 and in favor of the Gasoline Tax Fund in the amount of \$3,404.

Richard Zimmerman repaid \$1,460 on receipt number 46-2014 dated August 5, 2014. The \$1,460 was posted to the Gasoline Tax Fund.

Kenneth Brooks repaid \$1,460 on receipt number 45-2014 dated July 28, 2014. \$484 was posted to the Gasoline Tax Fund and \$976 was posted to the General Fund.

Frank Perry has entered into an agreement with the Township to have \$100 withheld from his monthly pay check beginning in September 2014, until the monies are paid back to the Township.

Based on the monies paid back noted above, \$1,460 remains outstanding and due to the Township in favor of the Gasoline Tax Fund.

**FINDING NUMBER 2013-003**

**Noncompliance Citation/Finding for Adjustment/Material Weakness**

Ohio Rev. Code § 505.60(A) states the Board of Township Trustees may procure and pay all or any part of the cost of insurance policies that may provide benefits for medical insurance coverage for township officers and employees. If the Board procures any insurance policies under this section, the Board shall provide uniform coverage under these policies for township officers and full-time employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents, from funds or budgets from which the officers or employees are compensated for services.

Ohio Rev. Code § 505.601 states that if the Board of Trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the Board of Township Trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the revised code as long as the following conditions are met:

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2013-003 (Continued)**

**Noncompliance Citation/Finding for Adjustment/Material Weakness (Continued)**

- The Board of Trustees must adopt a resolution that states that the township has chosen not to procure a health care plan and instead have chosen to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided to them for insurance benefits;
- The resolution must provide for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the Township will not reimburse the officer or employee; and
- The resolution states the specific benefits for which the Township will reimburse all officers and employees of the township.

The Township reimbursed all elected officials for their out-of-pocket insurance premiums during 2012 and 2013. However, the resolutions approving this did not provide for a uniform maximum monthly or yearly amount.

Also, for 2013 and 2012, the Fiscal Officer and Trustees' monthly insurance reimbursements were paid from the Gasoline Tax Fund. However, the Fiscal Officer was compensated 100% from the General Fund for the entire audit period and the Trustees should have had 22% of their pay from the General Fund in 2012 and 5% in 2013. This resulted in \$5,675 being over paid from the Gasoline Tax Fund.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$5,675 and in favor of the Gasoline Tax Fund.

We recommend the Board of Trustees review Auditor of State Bulletin 2009-003 to ensure the Township meets the criteria listed in order to reimburse Township officials for out-of-pocket insurance premiums. We further recommend the Fiscal Officer pay insurance premiums from the same funds and allocations as the Township officials and employees are compensated from.

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2013-004**

**Noncompliance Citation**

Ohio Rev. Code §505.262(A) authorizes a board of township trustees to issue notes of the township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issues shall be pursuant to Revised Code §133.20. Furthermore, The Attorney General opined that Ohio Rev. Code §505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract. [1996 Op. Atty Gen. No. 1996-048]

The Township issued a Promissory Note in the amount of \$48,564 in 2012 that did not meet the requirements of Ohio Rev. Code §133.20.

We recommend the Township Trustees authorize only the issuance of notes pursuant to Ohio Rev. Code §133.20.

**FINDING NUMBER 2013-005**

**Noncompliance Citation**

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See C.B. Transportation, Inc. v. Butler County Board of Mental Retardation, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); Burkholder v. Lauber, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

At December 31, 2013, appropriations as approved by the Township's Board of Trustees did not agree to the Township's accounting system for the Gasoline Tax Fund as follows:

	<u>Authorized Appropriations</u>	<u>Appropriations Posted to Accounting System</u>	<u>Variance</u>
Gasoline Tax Fund	\$171,811	\$238,716	\$65,905

At December 31, 2013, appropriations as approved by the Township's Board of Trustees did not agree to the Township's accounting system for the General Fund as follows:

	<u>Authorized Appropriations</u>	<u>Appropriations Posted to Accounting System</u>	<u>Variance</u>
General Fund	\$21,100	\$21,000	(\$100)

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2013-005 (Continued)**

**Noncompliance Citation (Continued)**

We recommend the Township Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

**FINDING NUMBER 2013-006**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

In 2012:

- General, Cemetery, and Miscellaneous Dust Control Fund intergovernmental receipts of \$1,602, \$57, and \$98, respectively, were posted as taxes in the General Fund.
- Cemetery and Miscellaneous Dust Control Fund intergovernmental receipts of \$1,258 and \$10,126, respectively, were posted as taxes in those funds.
- Insurance proceeds of \$1,645 were posted as taxes in the General Fund but should have been posted as miscellaneous receipts.
- An incorrect adjustment was posted which reduced the January 1, 2012 balance of the General Fund by \$283.
- The entire General Fund balance was reported as Unassigned, however, it should have been reported as Assigned.
- Debt proceeds of \$48,314 were posted as intergovernmental receipts in the Gasoline Tax Fund.
- Proceeds from the sale of a capital asset of \$15,027 were posted as intergovernmental receipts in the Gasoline Tax Fund.
- Debt principal and interest payments of \$1,485 and \$283, respectively, were posted as capital outlay in the Gasoline Tax Fund.
- Public works disbursements of \$21,365 were posted as general government in the Gasoline Tax Fund.
- Public works disbursements of \$18,026 were posted as interest and fiscal charges in the Gasoline Tax Fund.
- Health disbursements of \$4,774 were posted as general government in the Cemetery Fund.
- Public works disbursements of \$17,196 were posted as general government in the Miscellaneous Dust Control Fund.

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2013-006 (Continued)**

**Material Weakness (Continued)**

In 2013:

- General Fund intergovernmental receipts of \$4,825 were posted as taxes.
- Fire contract and UAN fees of \$3000 and \$1,008, respectively, were posted as public works disbursements in the Gasoline Tax Fund instead of public safety and general government in the General Fund.
- Debt principal payment of \$9,095 was posted as interest and fiscal charges in the Gasoline Tax Fund.
- The entire General Fund balance was reported as Unassigned, however, it should have been reported as Assigned.
- Health disbursements of \$9,051 were posted as general government in the Cemetery Fund.
- Public works disbursements of \$10,487 were posted as general government in the Miscellaneous Dust Control Fund.

The audited financial statements reflect the adjustments noted above and the Fiscal Officer posted the adjustments to the accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**Official's Response:** We did not receive a response from Officials to the findings reported above.

KNOX TOWNSHIP  
VINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Material weakness for improper posting of receipts and expenditures	No	Not Corrected: Reissued as Finding Number 2013-006

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# Dave Yost • Auditor of State

**KNOX TOWNSHIP**

**VINTON 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  
SEPTEMBER 25, 2014**