



Dave Yost • Auditor of State

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Knox Township
Jefferson County
1670 County Road 53
Irondale, Ohio 43932

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Knox Township, Jefferson County, (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 1 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 1 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.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Knox Township, Jefferson 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 20, 2014

**KNOX TOWNSHIP
JEFFERSON 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$5,055	\$188,648		\$193,703
Licenses, Permits and Fees	5,838			5,838
Intergovernmental	49,237	126,748	\$75,140	251,125
Miscellaneous	4,632			4,632
<i>Total Cash Receipts</i>	<u>64,762</u>	<u>315,396</u>	<u>75,140</u>	<u>455,298</u>
Cash Disbursements				
Current:				
General Government	44,562	61,020		105,582
Public Safety		47,145		47,145
Public Works	9,328	242,093		251,421
Conservation-Recreation	2,232			2,232
Capital Outlay			75,140	75,140
<i>Total Cash Disbursements</i>	<u>56,122</u>	<u>350,258</u>	<u>75,140</u>	<u>481,520</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,640</u>	<u>(34,862)</u>	<u>0</u>	<u>(26,222)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			5,201	5,201
Transfers In		21,379		21,379
Transfers Out	(21,379)			(21,379)
Advances In		3,173		3,173
Advances Out		(3,173)		(3,173)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(21,379)</u>	<u>21,379</u>	<u>5,201</u>	<u>5,201</u>
<i>Net Change in Fund Cash Balances</i>	<u>(12,739)</u>	<u>(13,483)</u>	<u>5,201</u>	<u>(21,021)</u>
<i>Fund Cash Balances, January 1</i>	<u>36,647</u>	<u>65,442</u>	<u>245</u>	<u>102,334</u>
Fund Cash Balances, December 31				
Restricted		51,959	5,446	57,405
Unassigned (Deficit)	23,908			23,908
<i>Fund Cash Balances, December 31</i>	<u>\$23,908</u>	<u>\$51,959</u>	<u>\$5,446</u>	<u>\$81,313</u>

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

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$4,594	\$170,882		\$175,476
Licenses, Permits and Fees	6,089			6,089
Intergovernmental	48,064	161,532		209,596
Earnings on Investments	25			25
Miscellaneous	29,410			29,410
<i>Total Cash Receipts</i>	<u>88,182</u>	<u>332,414</u>		<u>420,596</u>
Cash Disbursements				
Current:				
General Government	34,876	50,428		85,304
Public Safety		49,699		49,699
Public Works	71,671	198,989		270,660
Health	4,208			4,208
Capital Outlay		4,017		4,017
Debt Service:				
Principal Retirement		8,341		8,341
Interest and Fiscal Charges		159		159
<i>Total Cash Disbursements</i>	<u>110,755</u>	<u>311,633</u>		<u>422,388</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,573)</u>	<u>20,781</u>		<u>(1,792)</u>
Other Financing Receipts (Disbursements)				
Transfers In		7,609		7,609
Transfers Out	(7,609)			(7,609)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(7,609)</u>	<u>7,609</u>		<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(30,182)</u>	<u>28,390</u>		<u>(1,792)</u>
<i>Fund Cash Balances, January 1</i>	<u>66,829</u>	<u>37,052</u>	<u>\$245</u>	<u>104,126</u>
Fund Cash Balances, December 31				
Restricted		65,442	245	65,687
Unassigned (Deficit)	36,647			36,647
<i>Fund Cash Balances, December 31</i>	<u>\$36,647</u>	<u>\$65,442</u>	<u>\$245</u>	<u>\$102,334</u>

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

**KNOX TOWNSHIP
JEFFERSON 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 Knox Township, Jefferson 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 general government services. The Township contracts with the Knoxville Volunteer Fire Department to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

The Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund.

Issue II Fund - The Township received a grant from the State of Ohio to resurface a township road.

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. The Township did not encumber all commitments required by Ohio law.

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

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

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.

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2013	2012
Demand deposits	\$81,313	\$102,334
Total deposits	\$81,313	\$102,334

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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	\$28,400	\$64,762	\$36,362
Special Revenue	280,500	336,775	56,275
Capital Projects	0	80,341	80,341
Total	\$308,900	\$481,878	\$172,978

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$77,501	(\$77,501)
Special Revenue	0	350,258	(350,258)
Capital Projects	0	75,140	(75,140)
Total	\$0	\$502,899	(\$502,899)

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,678	\$88,182	\$50,504
Special Revenue	284,300	340,023	55,723
Total	\$321,978	\$428,205	\$106,227

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$118,364	(\$118,364)
Special Revenue	0	311,633	(311,633)
Total	\$0	\$429,997	(\$429,997)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds by \$502,899 and \$429,997 for the years ended December 31, 2013 and 2012. Also contrary to Ohio law, estimated resources exceeded actual resources at December 31, 2013 in the MVL Fund by \$9,270 and at December 31, 2012 in the Gas Tax, Fire District, and Road District funds by \$6,753, \$3,882, and \$14,872 respectively.

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.

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

5. Retirement System

The Township's 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% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

6. Risk Management

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.

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 net position 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 \$4,000.

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

6. 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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
6,871	6,917

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
Jefferson County
1670 County Road 53
Irondale, Ohio 43932

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, Jefferson County, (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 October 20, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

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 opinions 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, 2013-004 and 2013-005 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 2013-003.

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 Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

October 20, 2014

**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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<i>Finding Number</i>	2013-001
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Noncompliance/Material Weakness

Ohio Rev. Code § 5705.09 requires each subdivision to establish a special fund for each special levy.

The Township did not establish a special fund for the Permissive Motor Vehicle License Tax Levy monies which resulted in adjustments to the financial statements for 2013 and 2012. The Township Fiscal Officer has agreed to these adjustments and the corrected amounts are reflected in the accompanying financial statements.

Fund Name	Account Type	Amount	Description
2012:			
Permissive Motor Vehicle License Tax Fund	Local Taxes Receipts	\$9,453	Recorded in the Motor Vehicle License Tax Fund as Intergovernmental Receipts and Public Works Disbursements.
	Public Works Disbursements		
Permissive Motor Vehicle License Tax Fund	Local Taxes Receipts	\$3,626	Recorded in the Gasoline Tax Fund as Intergovernmental Receipts and Public Works Disbursements.
	Public Works Disbursements		
2013:			
Permissive Motor Vehicle License Tax Fund	Local Taxes Receipts	\$13,237	Recorded in the Motor Vehicle License Tax Fund as Intergovernmental Receipts and Public Works Disbursements
	Public Works Disbursements		
Permissive Motor Vehicle License Tax Fund	Local Taxes Receipts	\$1,015	Recorded in the Motor Vehicle License Tax Fund as Local Taxes Receipts and Public Works Disbursements
	Public Works Disbursements		

The Township Fiscal Officer should establish a special levy fund in the accounting system for the Permissive Motor Vehicle License Tax levy monies and should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported.

<i>Finding Number</i>	2013-002
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Noncompliance

Ohio Rev. Code § 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township Trustees did not adopt an appropriation measure for 2013 and 2012 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the Township in 2012 (\$429,997) and 2013 (\$502,900) were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The Township should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should then be limited to Trustee approved appropriations for each fund.

<i>Finding Number</i>	2013-003
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Noncompliance

Ohio Rev. Code § 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

- 1. Then and Now Certificate** – 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 receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees if such expenditure is otherwise valid.

**Finding Number 2013-003
 (Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Township did not properly certify the amount against the applicable appropriation accounts for 52 percent of 2013 and 2012 tested expenditures. The Township did not always utilize the certification exceptions described above. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash 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, the Township should obtain approved purchase orders, which include the fiscal officers certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment. When prior certification is not possible, “then and now” certification should be used.

The Fiscal Officer should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

<i>Finding Number</i>	2013-004
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Material Weakness

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

Audit procedures identified various misstatements resulting in the following adjustments/reclassifications made to the financial statements and, where applicable, to the Township's accounting records:

**Finding Number 2013-04
 (Continued)**

2012:

Fund	Account Type	Amount	Description
<i>Adjustments:</i>			
General Fund	Intergovernmental Receipts General Government Disbursements	\$925	Not recorded.
Gasoline Tax Fund	Public Works Disbursements	\$4,000	Recorded to Fire District Fund as Public Safety Disbursements.
<i>Reclassifications:</i>			
General Fund	Transfer Out	\$7,609	Recorded as Advance Out.
Road and Bridge Fund	Transfer In	\$5,000	Recorded as Advance In.
Road District Fund	Transfer In	\$2,609	Recorded as Advance In.

2013:

Fund	Account Type	Amount	Description
<i>Adjustments:</i>			
Road and Bridge Fund	Local Taxes Receipts	\$589	Not recorded.
Road and Bridge Fund	General Government Disbursements	\$1,597	Not recorded.
Fire District Fund	Local Taxes Receipts	\$1,318	Not recorded.
Fire District Fund	General Government Disbursements	\$753	Not recorded.
Road District Fund	Local Taxes Receipts	\$793	Not recorded.
Road District Fund	General Government Disbursements	\$455	Not recorded.
Issue II Fund	Intergovernmental Receipts Capital Outlay Disbursements	\$75,140	Not recorded.
Gasoline Tax Fund	Public Works Disbursements	\$3,360	Recorded to Fire District Fund as Public, Safety Expenditures.
Road and Bridge Fund	Intergovernmental Receipts	\$7,083	Recorded as General Fund Local Taxes.
Fire District Fund	Intergovernmental Receipts	\$3,362	Recorded as General Fund Local Taxes.
Road District Fund	Intergovernmental Receipts	\$2,049	Recorded as General Fund Local Taxes.
General Fund	Intergovernmental Receipts	\$2,150	Not recorded.
General Fund	Local Taxes Receipts	\$2,877	Not recorded.
General Fund	General Government Disbursements	\$4,933	Not recorded.
General Fund	Intergovernmental Receipts	\$340	Recorded as Road and Bridge Local Taxes.
Fire District Fund	Intergovernmental Receipts	\$3,307	Recorded as Road and Bridge Local Taxes.
Road District Fund	Intergovernmental Receipts	\$2,015	Recorded as Road and Bridge Local Taxes.

**Finding Number 2013-004
 (Continued)**

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Board of Trustees adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

<i>Finding Number</i>	2013-005
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Material Weakness

Ohio Admin. Code § 117-2-02 (B) (1) and (2) requires the government's internal controls to reasonably assure that recorded transactions have occurred and are not fictitious and that transactions that should be included in the financial records are included.

Township transactions for January 2013 through April 2013 were not recorded in the Uniform Accounting Network (UAN). All manual transactions completed during the four months were recorded in the system in May 2013.

Accurate monthly bank to book reconciliations were not being prepared during 2013 and 2012, as there were unsupported reconciling items. In order to present accurate cash reconciliations and accurate financial statements, the following adjustments are reflected in the accompanying financial statements.

2012:

Fund	Account Type	Amount	Description
General Fund	Intergovernmental Receipts	\$2,606	Not recorded.

2013:

Fund	Account Type	Amount	Description
General Fund	Miscellaneous Receipts	(\$2,606)	Recorded twice.

The Township Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances between the bank balance and the book balance should be investigated, documented and corrected, if appropriate. Failure to consistently post all transactions increases the possibility that the Township will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Township Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. In addition, the Township Board of Trustees should review the monthly cash reconciliations, the support for the reconciliations and document the reviews.

Official's Response:

We did not receive a response from officials to the findings reported above.

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**KNOX TOWNSHIP
JEFFERSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Revised Code Section 5705.41(D) – Proper Certification	No	Re-Issued as Finding 2013-003

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Dave Yost • Auditor of State

KNOX TOWNSHIP

JEFFERSON 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 4, 2014**