



Certified Public Accountants, A.C.

**KNOX TOWNSHIP
VINTON COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
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1310 Market St.,
Suite 300
Wheeling, WV 26003
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740.435.3417

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Dave Yost • Auditor of State

Board of Trustees
Knox Township
72057 Harkins Chapel Road
Albany, Ohio 45710

We have reviewed the *Independent Auditor's Report* of Knox Township, Vinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Adjustment:

Ohio Rev. Code § 505.24 (D) and Ohio Rev. Code § 5705.10 (I) - Noncompliance/Material Weakness

Ohio Rev. Code § 505.24(D) states in part that 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. Also, Ohio Rev. Code § 5705.10(I) requires money paid into any fund to be used only for the purposes for which such fund was established.

Additionally, Auditor of State Technical Bulletin 2013-002 furthers the analysis that such an allocation is not reasonable on its face. In practice, some township officials have been certifying 100 percent of their time to activities paid from restricted funds. However, township officials are required to attend board meetings in order to conduct the regular business of the township.

Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

During 2016 and 2017, the Township signed and approved payroll certifications at their January meeting for each month of the year. These approved payroll certifications revealed that 100 percent of time spent in January was attributed to General Fund activities and the remaining eleven months were 100 percent attributed to Gas Tax Fund activities. As a result, since the payroll certifications were signed and approved prospectively, and no evidence was submitted showing an accounting of work performed to the Gas Tax Fund, this method of allocation is not appropriate.

The Fiscal Officer also contended that during each monthly Board meeting, work completed by the Trustees was submitted and approved despite the payroll certifications approved during the January meeting for the entire year. While work completed by the Trustees accompanied the monthly minute records, the work completed and hours for each task was not broken down by Trustee. As a result, the reasonableness of the allocation of one month Trustee salary to the General Fund and eleven months of Trustee salary to the Gas Tax Fund could not be corroborated in total.

As a result of the Township not certifying the percentage of time the Trustees spent working on matters to be paid from the Township General Fund and Gas Tax Fund based on underlying documentation, Trustee wages charged to the Gas Tax Fund were overstated \$23,382 and \$24,942 in 2016 and 2017, respectively and should have been charged to the General Fund. Additionally, during 2017, a health insurance reimbursement totaling \$1,939 was incorrectly paid from the Gas Tax Fund rather than the General Fund.

The Fiscal Officer should pay the Trustee salaries from the General Fund or provide payroll certifications based on the services rendered to support the amount of the Trustee salaries paid from funds other than the General Fund. In addition, fringe benefits and insurance reimbursements should be allocated in the same proportion as salaries.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the Gas Tax fund of Knox Township, Vinton County in the amount of \$50,263 and in favor of the General Fund of Knox Township, Vinton County, in the amount of \$50,263.

Board of Trustees
Knox Township, Vinton County
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Knox Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

September 11, 2018

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KNOX TOWNSHIP
VINTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

August 31, 2018

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Knox Township**, Vinton County, (the Township) as of and for the years ended December 31, 2017 and 2016.

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 opinions.

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...*"bringing more to the table"*

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on the General and Special Revenue Funds

As described in Finding 2017-002 in the accompanying Schedule of Audit Findings, the Board of Trustees did not comply with requirements concerning Trustee salary allocations and improperly paid salaries and insurance reimbursements, from Special Revenue Funds in 2016 and 2017. Township Trustee salaries and insurance reimbursements were paid from the Gasoline Tax Fund in the amount of \$50,263 which should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township declined to make this adjustment.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statements and the accounting system; the General Fund cash fund balance would have decreased by \$50,263 and the Gasoline Tax Fund cash fund balance would have increased by \$50,263.

Qualified Opinion on the General and Special Revenue Funds

In our opinion, except for the effects of the matter discussed in the *Basis for Qualified Opinion on the General and Special Revenue Funds*, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General and Special Revenue Funds of Knox Township, Vinton County as of December 31, 2017 and 2016, 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 2.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Permanent Fund Type of Knox Township, Vinton County as of December 31, 2017 and 2016, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018, 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 cursive script that reads "Perry & Associates CPAs A.C.".

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**KNOX TOWNSHIP
VINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 9,600	\$ 22,457	\$ -	\$ 32,057
Intergovernmental	14,467	100,085	-	114,552
Earnings on Investments	176	81	-	257
Miscellaneous	-	6,000	-	6,000
<i>Total Cash Receipts</i>	<u>24,243</u>	<u>128,623</u>	<u>-</u>	<u>152,866</u>
Cash Disbursements				
Current:				
General Government	25,888	7,629	-	33,517
Public Works	-	90,172	-	90,172
Health	-	1,229	-	1,229
Other	1,522	-	-	1,522
Capital Outlay	-	2,105	-	2,105
Debt Service:				
Principal Retirement	-	9,729	-	9,729
Interest and Fiscal Charges	-	122	-	122
<i>Total Cash Disbursements</i>	<u>27,410</u>	<u>110,986</u>	<u>-</u>	<u>138,396</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,167)</u>	<u>17,637</u>	<u>-</u>	<u>14,470</u>
Other Financing Receipts				
Other Debt Proceeds	-	19,900	-	19,900
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>19,900</u>	<u>-</u>	<u>19,900</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,167)</u>	<u>37,537</u>	<u>-</u>	<u>34,370</u>
<i>Fund Cash Balances, January 1</i>	<u>40,120</u>	<u>105,232</u>	<u>283</u>	<u>145,635</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	283	283
Restricted	-	142,769	-	142,769
Assigned	36,953	-	-	36,953
<i>Fund Cash Balances, December 31</i>	<u>\$ 36,953</u>	<u>\$ 142,769</u>	<u>\$ 283</u>	<u>\$ 180,005</u>

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

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Zaleski to provide fire services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

OTARMA – a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”).

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

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:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Cemetery Bequest Fund This fund receives interest earned on the nonexpendable corpus from a donation agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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.

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits

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

Capital Assets

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

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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:

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

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.

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,000	\$ 24,243	\$ 9,243
Special Revenue	119,393	148,523	29,130
Total	\$ 134,393	\$ 172,766	\$ 38,373

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,120	\$ 27,410	\$ 27,710
Special Revenue	224,625	110,986	113,639
Total	\$ 279,745	\$ 138,396	\$ 141,349

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Deposits

The Township maintains a deposit 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:

	2017
Demand deposits	\$ 179,722
Other time deposits (savings and NOW accounts)	283
Total deposits	\$ 180,005

Deposits are insured by the Federal Depository Insurance Corporation.

Note 5 – Property Taxes

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.

Note 6 - 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.

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, 2017, 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.

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

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, 2017.

	2017
Assets	\$ 40,010,732
Liabilities	8,675,465
Net Position	\$ 31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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>2017 Contributions to OTARMA</u>
\$3,749

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Defined Benefit Pension Plans (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% 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, 2017.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Dump Truck	\$ 19,597	3.5%

During 2017, the Township acquired a general obligation note for a term of 5 years to finance the purchase of upgrades to a dump truck for Township road maintenance. The collateral pledged was the dump truck itself. Payments are made from the Gasoline Tax Fund. As of December 31, 2017 the truck upgrades had not been purchased.

Amortization

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

Year Ending December 31:	Dump Truck
2018	\$ 4,344
2019	4,344
2020	4,344
2021	4,344
2022	3,981
Total	\$ 21,357

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**KNOX TOWNSHIP
VINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 12,303	\$ 24,281	\$ -	\$ 36,584
Intergovernmental	19,342	93,156	-	112,498
Earnings on Investments	109	50	-	159
Miscellaneous	-	6,000	-	6,000
<i>Total Cash Receipts</i>	<u>31,754</u>	<u>123,487</u>	<u>-</u>	<u>155,241</u>
Cash Disbursements				
Current:				
General Government	28,927	13,955	-	42,882
Public Safety	-	1,704	-	1,704
Public Works	-	115,648	-	115,648
Health	-	1,890	-	1,890
Other	2,948	-	-	2,948
Capital Outlay	-	238	-	238
Debt Service:				
Principal Retirement	-	16,325	-	16,325
Interest and Fiscal Charges	-	662	-	662
<i>Total Cash Disbursements</i>	<u>31,875</u>	<u>150,422</u>	<u>-</u>	<u>182,297</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(121)</u>	<u>(26,935)</u>	<u>-</u>	<u>(27,056)</u>
<i>Fund Cash Balances, January 1</i>	<u>40,241</u>	<u>132,167</u>	<u>283</u>	<u>172,691</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	283	283
Restricted	-	105,232	-	105,232
Assigned	40,120	-	-	40,120
<i>Fund Cash Balances, December 31</i>	<u>\$ 40,120</u>	<u>\$ 105,232</u>	<u>\$ 283</u>	<u>\$ 145,635</u>

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

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Zaleski to provide fire services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

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:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Cemetery Bequest Fund This fund receives interest earned on the nonexpendable corpus from a donation agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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.

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits

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

Capital Assets

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

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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:

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

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.

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,000	\$ 31,754	\$ 16,754
Special Revenue	125,666	123,487	(2,179)
Total	\$ 140,666	\$ 155,241	\$ 14,575

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,241	\$ 31,875	\$ 23,366
Special Revenue	257,833	150,422	107,411
Total	\$ 313,074	\$ 182,297	\$ 130,777

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Deposits

The Township maintains a deposit 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:

	2016
Demand deposits	\$ 145,352
Other time deposits (savings and NOW accounts)	283
Total deposits	\$ 145,635

Deposits are insured by the Federal Depository Insurance Corporation.

Note 5 – Property Taxes

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.

Note 6 - 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.

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, 2016, 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.

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

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, 2016.

	2016
Assets	\$ 38,473,283
Liabilities	8,244,140
Net Position	\$ 30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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>2016 Contributions to OTARMA</u>
\$3,748

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

KNOX TOWNSHIP
VINTON COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 - Defined Benefit Pension Plans (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% 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, 2016.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Dump Truck	\$ 9,426	3.52%

During 2013, the Township acquired a general obligation note for a term of 5 years to finance the purchase of a dump truck for Township road maintenance. The collateral pledged was the dump truck itself. Payments are made from the Gasoline Tax Fund.

Amortization

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

Year Ending December 31:	Dump Truck
2017	\$ 9,489

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

August 31, 2018

Knox Township
Vinton County
72057 Harkins Chapel Rd.
Albany, Ohio 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 the cash balances, receipts, and disbursements by fund type of **Knox Township**, Vinton County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 31, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on the General and Special Revenue Fund types for 2017 and 2016 due to the Township not making a \$50,263 audit adjustment against the General Fund and increasing the fund balance of the Gasoline Tax Fund in the amount of \$50,263.

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.

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 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.

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Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 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 audit findings as items 2017-002 through 2017-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 31, 2018.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**KNOX TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness

Posting Receipts, Disbursements and Fund Balances

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Rollback receipts were recorded as Property and Other Local Taxes instead of Intergovernmental in the General Fund in 2017;
- Local government distributions were recorded as Property and Other Local Taxes instead of Intergovernmental in the General Fund in 2017;
- Debt proceeds were recorded as Intergovernmental instead of Other Debt Proceeds in the Gasoline Tax Fund in 2017;
- Debt payments were posted entirely to Interest and Other Fiscal Charges instead of the principal portion to Principal Retirement in the Gasoline Tax Fund in 2017 and 2016;
- Out-of-pocket health insurance reimbursements for the Fiscal Officer were not recorded to the appropriate funds in relation to payroll certifications;
- The Cemetery Bequest Fund was classified as a Capital Projects Fund instead of a Permanent Fund in 2017 and 2016; and
- The General Fund balance was classified as Unassigned when it should have been Assigned in 2017 and 2016.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management’s Response – We did not receive a response from officials to this finding.

KNOX TOWNSHIP
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002

Material Weakness/Noncompliance

Ohio Rev. Code § 505.24(D) states in part that 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. Also, **Ohio Rev. Code § 5705.10(I)** requires money paid into any fund to be used only for the purposes for which such fund was established.

Additionally, Auditor of State Technical Bulletin 2013-002 furthers the analysis that such an allocation is not reasonable on its face.

In practice, some township officials have been certifying 100 percent of their time to activities paid from restricted funds. However, township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

During 2016 and 2017, the Township signed and approved payroll certifications at their January meeting for each month of the year. These approved payroll certifications revealed that 100 percent of time spent in January was attributed to General Fund activities and the remaining eleven months were 100 percent attributed to Gas Tax Fund activities. As a result, since the payroll certifications were signed and approved prospectively, and no evidence was submitted showing an accounting of work performed to the Gas Tax Fund, this method of allocation is not appropriate.

The Fiscal Officer also contended that during each monthly Board meeting, work completed by the Trustees was submitted and approved despite the payroll certifications approved during the January meeting for the entire year. While work completed by the Trustees accompanied the monthly minute records, the work completed and hours for each task was not broken down by Trustee. As a result, the reasonableness of the allocation of one month Trustee salary to the General Fund and eleven months of Trustee salary to the Gas Tax Fund could not be corroborated in total.

As a result of the Township not certifying the percentage of time the Trustees spent working on matters to be paid from the Township General Fund and Gas Tax Fund based on underlying documentation, Trustee wages charged the Gas Tax Fund is overstated totaling \$23,382 and \$24,942 in 2016 and 2017, respectively and should have been charged to the General Fund. Additionally, during 2017, a health insurance reimbursement totaling \$1,939 was incorrectly paid from the Gas Tax Fund rather than the General Fund.

The Fiscal Officer should pay the Trustee salaries from the General Fund or provide payroll certifications based on the services rendered to support the amount of the Trustee salaries paid from funds other than the General Fund. In addition, fringe benefits and insurance reimbursements should be allocated in the same proportion as salaries.

Management's Response – We did not receive a response from officials to this finding.

KNOX TOWNSHIP
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-003

Noncompliance

Ohio Revised Code Chapter 133 provides for various allowable methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities. Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

Townships can only obtain debt by issuing general obligation debt or lease-purchase options. Townships may not obtain debt by solely collateralizing equipment or property but must pledge the full faith and credit of the Township as outlined under Ohio Revised Code Section 5549.021, the exception being securing equipment by lease-purchase option under Ohio Rev. Code Section 505.267. In 2017, the Township signed a promissory note with a local bank to purchase upgrades to a dump truck. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Failure to comply with the Revised Code could result in improper use of Township money.

The Ohio Revised Code contains limited methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. We recommend the Township contact their legal counsel before incurring future debt.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-004

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. 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.

KNOX TOWNSHIP
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004 (Continued)

Noncompliance (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

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 not, 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 entity may also make expenditures and contracts for any amount from a specific line-item appropriation account 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 58% of the expenditures tested for 2017 and for 40% of the expenditures tested for 2016.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

**KNOX TOWNSHIP
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Posting Receipts, Disbursements and Fund Balances	Not Corrected	Reissued as Finding 2017-001
2015-002	Debt	Not Corrected	Reissued as Finding 2017-003
2015-003	Budgetary Controls	Partially Corrected	Reissued as Finding 2017-004



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 2018**