

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2018 - DECEMBER 31, 2019**

**Wilson, Phillips & Agin, CPA's, Inc.  
1100 Brandywine Blvd. Building G  
Zanesville, Ohio 43701**



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Knox Township  
25 Twp Road 247  
Toronto, Ohio 43964

We have reviewed the *Independent Auditor's Report* of Knox Township, Jefferson County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2018 through December 31, 2019. 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.

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 "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 15, 2020

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**KNOX TOWNSHIP  
JEFFERSON COUNTY  
JANUARY 1, 2018 - DECEMBER 31, 2019**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Knox Township  
Jefferson County  
25 Twp. Road 247  
Toronto, Ohio 43932

To the Township 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 the Knox Township, Jefferson County, as of and for the years ended December 31, 2019 and 2018.

**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 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, 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 permitted 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 Knox Township, Jefferson County as of December 31, 2019 and 2018, 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 cash balances, receipts and disbursements by fund type, and related notes of Knox Township, Jefferson County as of December 31, 2019 and 2018, 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.

#### **Emphasis of Matter**

As discussed in Note 11 to the 2019 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2020, on our consideration of Knox 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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 27, 2020



**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 40,622	\$ 434,399	\$ -	\$ 475,021
Licenses, Permits and Fees	2,069	-	-	2,069
Intergovernmental	27,156	174,781	-	201,937
Miscellaneous	730	45,989	-	46,719
<b>Total Cash Receipts</b>	<u>70,577</u>	<u>655,169</u>	-	<u>725,746</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	36,832	56,192	-	93,024
Public Safety	3,025	124,893	-	127,918
Public Works	4,520	417,300	-	421,820
Conservation-Recreation	-	1,040	-	1,040
Debt Service:				
Principal Retirement	-	50,269	-	50,269
Interest and Fiscal Charges	-	5,230	-	5,230
<b>Total Cash Disbursements</b>	<u>44,377</u>	<u>654,924</u>	-	<u>699,301</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	26,200	245	-	26,445
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	-	2,507	-	2,507
<b>Total Other Financing Receipts (Disbursements)</b>	-	2,507	-	2,507
<b>Net Change in Fund Cash Balance</b>	26,200	2,752	-	28,952
<b>Fund Cash Balances, January 1</b>	<u>12,683</u>	<u>158,691</u>	<u>3,905</u>	<u>175,279</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	161,443	3,905	165,348
Unassigned (Deficit)	38,883	-	-	38,883
<b>Fund Cash Balances, December 31</b>	<u>\$ 38,883</u>	<u>\$ 161,443</u>	<u>\$ 3,905</u>	<u>\$ 204,231</u>

See notes to financial statements.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**1. REPORTING ENTITY**

**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 publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, and fire protection. The Township contracts with the Knoxville Volunteer Fire Department to provide fire protection services.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

**B. 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. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**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** – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

**Road and Bridge Fund** – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

**Fire District Fund** – This fund receives property tax monies to pay for fire protection services.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

**Permanent Improvement Fund** – This fund accounts for resources and expenditures that are restricted for capital improvements.

**C. 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 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

**D. 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 fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2019 appear in Note 3.

**E. Deposits and Investments**

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

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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.

**G. 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.

**H. 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.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 70,453	\$ 70,577	\$ 124
Special Revenue	638,386	657,676	19,290
Total	\$ 708,839	\$ 728,253	\$ 19,414

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 83,136	\$ 44,377	\$ 38,759
Special Revenue	786,015	654,924	131,091
Total	\$ 869,151	\$ 699,301	\$ 169,850

**4. EQUITY IN POOLED CASH**

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

	2019
Demand deposits	\$ 204,231
Total Deposits	\$ 204,231

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

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

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

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

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**6. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	10,519,942

**7. DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2019.

*Social Security*

Several Township employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**8. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. OPERS contributes 2 percent of the employer contribution to fund these benefits. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**9. DEBT**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest rate
US Bank 2019 Truck Lease	\$ 46,372	4.61%
Huntington 2017 Truck Lease	43,582	4.49%
Total	\$ 89,954	

In 2018, the Township entered into master-lease purchase agreements with US Bank for a 2019 Truck and with Huntington Public Capital Corp. for a 2017 Truck. These will be used for road maintenance.

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

Year Ended December 31	2017 Truck Lease	2019 Truck Lease
2020	\$ 9,806	\$ 12,651
2021	9,806	12,651
2022	9,806	12,651
2023	9,806	10,543
2024	9,806	-
2025-2029	4,086	-
Total	\$ 53,116	\$ 48,496

**10. PUBLIC ENTITY RISK POOL**

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

**11. SUBSEQUENT EVENTS**

The United State and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 6,591	\$ 315,967	\$ -	\$ 322,558
Licenses, Permits and Fees	2,465	-	-	2,465
Intergovernmental	27,830	152,052	-	179,882
Miscellaneous	14,499	39,474	-	53,973
<b>Total Cash Receipts</b>	<u>51,385</u>	<u>507,493</u>	-	<u>558,878</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	33,095	52,673	-	85,768
Public Safety	2,945	90,055	-	93,000
Public Works	8,585	403,897	-	412,482
Conservation-Recreation	-	1,820	-	1,820
Capital Outlay	-	118,114	-	118,114
Debt Service:				
Principal Retirement	-	20,742	-	20,742
Interest and Fiscal Charges	-	3,295	-	3,295
<b>Total Cash Disbursements</b>	<u>44,625</u>	<u>690,596</u>	-	<u>735,221</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	6,760	(183,103)	-	(176,343)
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	-	115,091	-	115,091
Other Financing Sources	-	7,515	-	7,515
<b>Total Other Financing Receipts (Disbursements)</b>	-	<u>122,606</u>	-	<u>122,606</u>
<b>Net Change in Fund Cash Balance</b>	6,760	(60,497)	-	(53,737)
<b>Fund Cash Balances, January 1</b>	<u>5,923</u>	<u>219,188</u>	<u>3,905</u>	<u>229,016</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	158,691	3,905	162,596
Unassigned (Deficit)	12,683	-	-	12,683
<b>Fund Cash Balances, December 31</b>	<u>\$ 12,683</u>	<u>\$ 158,691</u>	<u>\$ 3,905</u>	<u>\$ 175,279</u>

See notes to financial statements.



**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. REPORTING ENTITY**

**Description of the Entity**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

**Permanent Improvement Fund** – This fund accounts for resources and expenditures that are restricted for capital improvements.

**C. 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 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

**D. 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 fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2018 appear in Note 3.

**E. Deposits and Investments**

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

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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.

**G. 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.

**H. 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.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,000	\$ 51,385	\$ 4,385
Special Revenue	505,588	630,099	124,511
Total	\$ 552,588	\$ 681,484	\$ 128,896

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 57,417	\$ 44,625	\$ 12,792
Special Revenue	830,192	690,596	139,596
Total	\$ 887,609	\$ 735,221	\$ 152,388

Contrary to ORC 5705.39, the Township had funds where appropriations exceeded estimated resources.

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.

**4. EQUITY IN POOLED CASH**

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

	2018
Demand deposits	\$ 175,279
Total Deposits	\$ 175,279

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

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

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

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

**6. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	<u>\$33,097,416</u>
Actuarial liabilities	7,874,610

**7. DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2018.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

*Social Security*

Several Township employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

**8. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**9. DEBT**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest rate
US Bank 2016 Truck Lease	\$ 30,635	3.00%
US Bank 2019 Truck Lease	55,571	4.61%
Huntington 2017 Truck Lease	54,017	4.49%
Total	\$ 140,223	

The Township obtained a lease with US Bank to finance the purchase of a truck in 2016. In 2018, the Township entered into master-lease purchase agreements with US Bank for a 2019 Truck and with Huntington Public Capital Corp. for a 2017 Truck. These will be used for road maintenance.

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

Year Ended December 31	2016 Truck Lease	2017 Truck Lease	2019 Truck Lease
2019	\$ 15,153	\$ 9,806	\$ 12,651
2020	15,153	9,806	12,651
2021	2,526	9,806	12,651
2022	-	9,806	12,651
2023	-	9,806	10,543
2024-2028	-	13,892	-
Total	\$ 32,832	\$ 62,922	\$ 61,147

**10. PUBLIC ENTITY RISK POOL**

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

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

Knox Township  
Jefferson County  
25 Twp. Road 247  
Toronto, Ohio 43932

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Knox Township, Jefferson County as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 27, 2020, 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.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Knox 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.

*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.

Our consideration of internal control was for the limited purpose described in the first 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 a certain deficiency in internal control over financial reporting, that we consider to be a material weakness. We consider Finding 2019-002 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Knox 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* described in the accompanying Schedule of Findings as item 2019-001.

***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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 27, 2020



**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

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

**FINDING NUMBER 2019-001**

**Noncompliance – Appropriations Exceeding Estimated Resources**

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measurer is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The following were not in compliance:

Fund	Year	Estimated Resources	Appropriations	Variance
General	2018	\$ 52,876	\$ 57,417	\$ (4,541)
Gasoline Tax	2018	144,791	152,473	(7,682)
Road & Bridge	2018	200,686	289,170	(88,484)
Fire Levy	2018	90,571	95,122	(4,551)
Road District	2018	153,573	211,312	(57,739)

We recommend Trustees review estimated resources versus appropriations throughout the year. Also, Trustees should not approve appropriations greater than estimated resources. This could result in the Township spending more money than it receives and could cause possible negative fund balances.

Client Response: We received no response from the client.

**FINDING NUMBER 2019-002**

**Material Weakness – Posting of Budget**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and disbursements.

The Township does enter budgetary data for estimated receipts and expenditures, However, the amounts entered do not agree with the Official Certificate of Estimated Resources. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored.

The following funds had budgetary receipts posted in UAN that did not agree with the certificate of estimated resources: MVL Tax Fund, Gasoline Tax Fund, Road & Bridge Fund, Road District Fund and FEMA Fund for 2019. In 2018 the funds were the General Fund, Gasoline Tax Fund, Road & Bridge Fund, Fire Levy Fund and Road District Fund.

We recommend that the Township post the approved official certificate of estimated resources to the UAN system around the first of each year. Then any amendments to those official documents be posted to the system upon approval. This will lead to correct budgetary information and Township decisions can be made on accurate data.

Client Response: We received no response from the client.

**KNOX TOWNSHIP  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2017-001	Noncompliance ORC 5705.41(B) expenditures exceeding appropriations	Yes	Finding No Longer Valid
2017-002	Material Weakness Financial Reporting	Yes	Finding No Longer Valid
2017-003	Material Weakness Posting of Budget	No	Not Corrected - Refer to Findng 2019-002

# OHIO AUDITOR OF STATE KEITH FABER



**KNOX TOWNSHIP**

**JEFFERSON COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/1/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)