

Knox Township

Vinton County, Ohio

Regular Audit

January 1, 2004 Through December 31, 2005

Fiscal Years Audited Under GAGAS: 2005 & 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Knox Township  
75173 Lively Ridge Road  
Albany, Ohio 45710

We have reviewed the *Independent Auditors' Report* of Knox Township, Vinton County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2004 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 20, 2006

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Vinton County, Ohio  
For the Years Ended December 31, 2005 and 2004  
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Knox Township  
Vinton County, Ohio  
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Board of Trustees  
Knox Township  
Vinton County, Ohio  
75173 Lively Ridge Road  
Albany, OH 45710

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox Township, Vinton County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

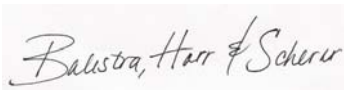
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities including each major fund and the remaining fund information of Knox Township, Vinton County, Ohio as of December 31, 2005 and 2004, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Gasoline Tax, Dust Control and FEMA Funds for 2005 and the General, Motor Vehicle, Gasoline Tax, and Dust Control for 2004 in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of the audits.

The Management's Discussion and Analysis at pages 3-8 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed further in Note 2, for the years ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Township also implemented Governmental Accounting Standards Board Statement No. 38 – *Certain Additional Note Disclosures*.



Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2006



Knox Township, Vinton County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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This discussion and analysis of Knox Township's (the Township's) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities increased \$21,722, or 49.74 percent, in 2005. Net assets of governmental activities increased \$1,663 or 7.74 percent in 2004. The fund most affected by the increase in cash and cash equivalents in 2005 was the FEMA Fund, which realized the greatest increase of revenue in 2005. The fund most affected by the increase in 2004 was the Special Revenue Fund, which realized the greatest burden of receipts in 2004.

The Township's general receipts are primarily property and gasoline taxes. These receipts represent respectively 18.04 and 54.42 percent of percent of the total cash received for governmental activities during 2005 and 19.91 and 61.53 percent of the total cash received for governmental activities during 2004. Property and gasoline tax receipts for 2005 and 2004 changed as development within the Township has slowly increased.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Knox Township, Vinton County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at years end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and gasoline taxes.

In the statement of net assets and the statement of activities, we divide the Township into one type of activity:

Governmental activities. All of the Township's basic services are reported here. State and federal grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Knox Township, Vinton County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental funds.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2005, the Township's major governmental funds are the General Fund, Gasoline Tax Fund, Dust Control Fund, and FEMA Fund. For 2004, the Township's major governmental funds are the General Fund, Motor Vehicle Fund, Gasoline Fund, and Dust Control Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$43,219	\$21,497
Total Assets	\$43,219	\$21,497
 <b>Net Assets</b>		
Unrestricted	43,219	21,497
Total Net Assets	\$43,219	\$21,497

As mentioned previously, net assets of governmental activities increased \$21,722 or 49.74 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Increase property tax collections due to increased property values and new construction.
- FEMA grant received in 2005.

Knox Township, Vinton County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$106,734	\$79,189
Total Program Receipts	106,734	79,189
General Receipts:		
Property and Other Local Taxes	25,930	22,767
Grants and Entitlements Not Restricted to Specific Programs	10,882	12,093
Interest	194	302
Miscellaneous	8	44
Total General Receipts	37,014	35,206
Total Receipts	143,748	114,395
Disbursements:		
General Government	16,831	13,165
Security of Persons and Property:		
Public Safety	8,000	3,481
Public Works	74,409	76,278
Health	10,869	7,891
Debt Service	11,917	11,917
Total Disbursements	122,026	112,732
Increase (Decrease) in Net Assets	21,722	1,663
Net Assets, January 1	21,497	19,834
Net Assets, December 31	\$43,219	\$21,497

Knox Township, Vinton County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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Program receipts represent 74.25 percent of total receipts in 2005 and 69.23 percent of total receipts in 2004 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 25.75 percent of the Township's total receipts for 2005 and 30.77 percent of the Township's total receipts for 2004, and of this amount, 70.06 percent are local taxes in 2005 and 64.67 percent are local taxes in 2004. Grants and entitlements not restricted to Specific Programs represents 29.40 percent of general receipts for 2005 and 34.35 percent of general receipts for 2004. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

**Governmental Activities**

If you look at the Statement of Activities on pages 13 and 14, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works, which account for 12.78 and 64.19 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General Government	\$16,831	\$13,165	\$15,765	\$11,582
Public Safety	8,000	3,481	2,663	1,105
Public Works	74,409	76,278	(25,922)	1,048
Health	10,869	7,891	10,869	7,891
Debt Service	11,917	11,917	11,917	11,917
Total Expenses	\$122,026	\$112,732	\$15,292	\$33,543

Knox Township, Vinton County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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**The Township's Funds**

Total governmental funds had receipts of \$143,748 and disbursements of \$122,026 in 2005 and receipts of \$114,395 and disbursements of \$112,732 in 2004. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$15,552 in 2005 as the result of increased receipts from the State. The fund balance of the Gasoline Tax Fund increased by \$2,897 in 2004 as a result of increases in receipts from the State.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of fiscal years 2005 and 2004 the Township amended its General Fund budget once. The Township uses fund budgeting and the budgeting systems are designed to tightly control the total funds' budget.

For 2005, General Fund budget basis receipts were \$23,238 and \$15,269 for 2004. Total General Fund budget basis - disbursements for 2005 were \$18,626, \$4,612 under cash receipts. Total General Fund budget basis - disbursements for 2004 were \$17,659, \$2,390 over cash receipts.

**Capital Assets and Debt Administration**

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Township's outstanding debt totaled \$19,715. For further information regarding the Township's debt, refer to Note 10 to the financial statements.

**Current Financial Related Activities**

Knox Township is strong financially. As the preceding information shows, the Township heavily depends on its taxpayers. However, financially the future is not without challenges.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Marie McVey, Clerk/Treasurer, Knox Township, 75173 Lively Ridge Road, Albany, Ohio 45710.

**Knox Township, Vinton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$43,219
<i>Total Assets</i>	<u>\$43,219</u>
<b>Net Assets</b>	
Restricted for Other Purposes	37,600
Unrestricted	5,619
<i>Total Net Assets</i>	<u>\$43,219</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,497</u>
<i>Total Assets</i>	<u><u>\$21,497</u></u>
<b>Net Assets</b>	
Restricted for Other Purposes	16,621
Unrestricted	<u>4,876</u>
<i>Total Net Assets</i>	<u><u>\$21,497</u></u>

See accompanying notes to the basic financial statements



**Knox Township, Vinton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	<u>Cash</u> Disbursements	<u>Program Cash Receipts</u> Operating Grants and Contributions	<u>Net (Disbursements) Receipts and Changes in Net Assets</u> Governmental Activities
<b>Governmental Activities</b>			
General Government	\$16,831	\$1,066	(\$15,765)
Public Safety	8,000	5,337	(2,663)
Public Works	74,409	100,331	25,922
Health	10,869	-	(10,869)
Debt Service	11,917	-	(11,917)
<i>Total Governmental Activities</i>	\$122,026	\$106,734	(\$15,292)
<b>General Receipts</b>			
Property Taxes Levied for:			
General Purposes			25,930
Grants and Entitlements not Restricted to Specific Programs			10,882
Interest			194
Miscellaneous			8
<i>Total General Receipts</i>			37,014
Change in Net Assets			21,722
<i>Net Assets Beginning of Year</i>			21,497
<i>Net Assets End of Year</i>			<u>\$43,219</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2004*

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
General Government	\$13,165	\$1,583	(\$11,582)
Public Safety	3,481	2,376	(1,105)
Public Works	76,278	75,230	(1,048)
Health	7,891	-	(7,891)
Debt Service	11,917	-	(11,917)
<i>Total Governmental Activities</i>	112,732	79,189	(33,543)
<b>General Receipts</b>			
Property Taxes Levied for:			
General Purposes			22,767
Grants and Entitlements not Restricted to Specific Programs			12,093
Interest			302
Miscellaneous			44
<i>Total General Receipts</i>			35,206
Change in Net Assets			1,663
<i>Net Assets Beginning of Year</i>			19,834
<i>Net Assets End of Year</i>			\$21,497

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Gasoline Tax Fund	Dust Control Fund	FEMA Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$5,619	\$27,755	(\$93)	\$10,283	(\$345)	\$43,219
<i>Total Assets</i>	<u>\$5,619</u>	<u>\$27,755</u>	<u>(\$93)</u>	<u>\$10,283</u>	<u>(\$345)</u>	<u>\$43,219</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$5,619	\$ -	\$ -	\$ -	\$ -	\$5,619
Special Revenue Funds	0	27,755	(93)	10,283	(345)	37,600
<i>Total Fund Balances</i>	<u>\$5,619</u>	<u>\$27,755</u>	<u>(\$93)</u>	<u>\$10,283</u>	<u>(\$345)</u>	<u>\$43,219</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Motor Vehicle Fund	Gasoline Tax Fund	Dust Control Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$4,876	(6,546)	\$12,203	\$3,364	\$7,600	\$21,497
<i>Total Assets</i>	<u>\$4,876</u>	<u>(\$6,546)</u>	<u>\$12,203</u>	<u>\$3,364</u>	<u>\$7,600</u>	<u>\$21,497</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$4,876	\$ -	\$ -	\$ -	\$ -	\$4,876
Special Revenue Funds		(6,546)	12,203	3,364	7,600	16,621
<i>Total Fund Balances</i>	<u>\$4,876</u>	<u>(\$6,546)</u>	<u>\$12,203</u>	<u>\$3,364</u>	<u>\$7,600</u>	<u>\$21,497</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Cash Receipts, Disbursements and Changes in-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Gasoline Tax Fund	Dust Control Fund	FEMA Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$6,727	\$ -	\$6,071	\$ -	\$13,132	\$25,930
Intergovernmental	10,882	78,175	8,380	16,083	4,096	117,616
Interest	138	43			13	194
Other	8					8
<i>Total Receipts</i>	<u>17,755</u>	<u>78,218</u>	<u>14,451</u>	<u>16,083</u>	<u>17,241</u>	<u>143,748</u>
<b>Disbursements</b>						
Current:						
General Government	14,012		2,819			16,831
Public Safety	3,000		5,000			8,000
Public Works		60,816	10,589		3,004	74,409
Health					10,869	10,869
Debt Service:						
Principal Retirement		6,290			4,193	10,483
Interest and Fiscal Charges		860			574	1,434
<i>Total Disbursements</i>	<u>17,012</u>	<u>67,966</u>	<u>18,408</u>	<u>-</u>	<u>18,640</u>	<u>122,026</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>743</u>	<u>10,252</u>	<u>(3,957)</u>	<u>16,083</u>	<u>(1,399)</u>	<u>21,722</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In		5,300	500			5,800
Transfers Out				(5,800)		(5,800)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>5,300</u>	<u>500</u>	<u>(5,800)</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	743	15,552	(3,457)	10,283	(1,399)	21,722
<i>Fund Balances Beginning of Year</i>	<u>4,876</u>	<u>12,203</u>	<u>3,364</u>	<u>-</u>	<u>1,054</u>	<u>21,497</u>
<i>Fund Balances End of Year</i>	<u>\$5,619</u>	<u>\$27,755</u>	<u>(\$93)</u>	<u>\$10,283</u>	<u>(\$345)</u>	<u>\$43,219</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Cash Receipts, Disbursements and Changes in-Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2004

	General	Motor Vehicle Fund	Gasoline Tax Fund	Dust Control Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$4,142	\$9,115	\$ -	\$6,710	\$2,800	\$22,767
Intergovernmental	12,093	1,148	70,684	5,324	2,033	91,282
Interest	87	9	31		175	302
Other	44					44
<i>Total Receipts</i>	<u>16,366</u>	<u>10,272</u>	<u>70,715</u>	<u>12,034</u>	<u>5,008</u>	<u>114,395</u>
<b>Disbursements</b>						
Current:						
General Government	12,928			237		13,165
Public Safety	1,500			1,981		3,481
Public Works		12,587	55,368	8,323		76,278
Health					7,891	7,891
Debt Service:						
Principal Retirement		4,003	6,004			10,007
Interest and Fiscal Charges		764	1,146			1,910
<i>Total Disbursements</i>	<u>14,428</u>	<u>17,354</u>	<u>62,518</u>	<u>10,541</u>	<u>7,891</u>	<u>112,732</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,938</u>	<u>(7,082)</u>	<u>8,197</u>	<u>1,493</u>	<u>(2,883)</u>	<u>1,663</u>
<b>Other Financing Sources (Uses)</b>						
Advances In		5,300				5,300
Advances Out			(5,300)			(5,300)
<i>Total Other Financing Sources (Uses)</i>		<u>5,300</u>	<u>(5,300)</u>			
<i>Net Change in Fund Balances</i>	1,938	(1,782)	2,897	1,493	(2,883)	1,663
<i>Fund Balances Beginning of Year</i>	<u>2,938</u>	<u>(4,764)</u>	<u>9,306</u>	<u>1,871</u>	<u>10,483</u>	<u>19,834</u>
<i>Fund Balances End of Year</i>	<u>\$4,876</u>	<u>(\$6,546)</u>	<u>\$12,203</u>	<u>\$3,364</u>	<u>\$7,600</u>	<u>\$21,497</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$6,730	\$6,730	\$6,727	(\$3)
Intergovernmental	16,508	16,508	10,882	(5,626)
Interest	-	-	138	138
Other	-	-	8	8
<i>Total receipts</i>	<u>23,238</u>	<u>23,238</u>	<u>17,755</u>	<u>(5,483)</u>
<b>Disbursements</b>				
Current:				
General Government	15,626	15,626	14,012	1,614
Public Safety	3,000	3,000	3,000	-
<i>Total Disbursements</i>	<u>18,626</u>	<u>18,626</u>	<u>17,012</u>	<u>1,614</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,612</u>	<u>4,612</u>	<u>743</u>	<u>(3,869)</u>
<i>Net Change in Fund Balance</i>	4,612	4,612	743	(3,869)
<i>Fund Balance Beginning of Year</i>	5,965	5,965	4,876	(1,089)
<i>Fund Balance End of Year</i>	<u>\$10,577</u>	<u>\$10,577</u>	<u>\$5,619</u>	<u>(\$4,958)</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	63,000	63,000	78,175	15,175
Other	-	-	43	43
<i>Total receipts</i>	63,000	63,000	78,218	15,218
<b>Disbursements</b>				
Current:				
Public Works	61,638	61,638	60,816	822
Debt Service:				
Principal Retirement	7,740	7,740	6,290	1,450
Interest and Fiscal Charges	1,055	1,055	860	195
<i>Total Disbursements</i>	70,433	70,433	67,966	2,467
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,433)	(7,433)	10,252	17,685
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	5,300	(5,300)
Total Other Financing Sources (Uses)	-	-	5,300	(5,300)
<i>Net Change in Fund Balance</i>	(7,433)	(7,433)	15,552	22,985
<i>Fund Balance Beginning of Year</i>	10,367	10,367	12,203	1,836
<i>Fund Balance End of Year</i>	\$2,934	\$2,934	\$27,755	\$24,821

See accompanying notes to the basic financial statements



**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Dust Control Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$10,000	\$10,000	\$6,071	(\$3,929)
Intergovernmental	-	-	8,380	8,380
<i>Total receipts</i>	<u>10,000</u>	<u>10,000</u>	<u>14,451</u>	<u>4,451</u>
<b>Disbursements</b>				
Current:				
General Government	2,000	2,000	2,819	(819)
Public Safety	865	865	5,000	(4,135)
Public Works	10,000	10,000	10,589	(589)
<i>Total Disbursements</i>	<u>12,865</u>	<u>12,865</u>	<u>18,408</u>	<u>(5,543)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,865)</u>	<u>(2,865)</u>	<u>(3,957)</u>	<u>9,994</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	500	500
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	<u>(2,865)</u>	<u>(2,865)</u>	<u>(3,457)</u>	<u>(592)</u>
<i>Fund Balance Beginning of Year</i>	<u>3,728</u>	<u>3,728</u>	<u>3,364</u>	<u>(364)</u>
<i>Fund Balance End of Year</i>	<u>\$863</u>	<u>\$863</u>	<u>(\$93)</u>	<u>(\$956)</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*FEMA Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	-	-	16,083	16,083
<i>Total receipts</i>	-	-	16,083	16,083
<b>Disbursements</b>				
Current:				
<i>Total Disbursements</i>	-	-	-	-
<i>Excess of Receipts Over (Under) Disbursements</i>	-	-	16,083	16,083
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	-	(5,800)	(5,800)
<i>Total Other Financing Sources (Uses)</i>	-	-	(5,800)	(5,800)
<i>Net Change in Fund Balance</i>	-	-	10,283	10,283
<i>Fund Balance Beginning of Year</i>	-	-	-	-
<i>Fund Balance End of Year</i>	-	-	\$10,283	\$10,283

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$3,970	\$3,970	\$4,142	\$172
Intergovernmental	11,299	11,299	12,093	794
Interest	-	-	87	87
Other	-	-	44	44
<i>Total receipts</i>	<u>15,269</u>	<u>15,269</u>	<u>16,366</u>	<u>1,097</u>
<b>Disbursements</b>				
Current:				
General Government	16,159	16,159	12,928	3,231
Public Safety	1,500	1,500	1,500	-
<i>Total Disbursements</i>	<u>17,659</u>	<u>17,659</u>	<u>14,428</u>	<u>3,231</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,390)</u>	<u>(2,390)</u>	<u>1,938</u>	<u>4,328</u>
<i>Net Change in Fund Balance</i>	(2,390)	(2,390)	1,938	4,328
<i>Fund Balance Beginning of Year</i>	<u>2,390</u>	<u>2,390</u>	<u>2,938</u>	<u>548</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,876</u>	<u>\$4,876</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Motor Vehicle Fund  
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$9,873	\$9,873	\$9,115	(\$758)
Intergovernmental	1,097	1,097	1,148	51
Interest	-	-	9	9
<i>Total receipts</i>	<u>10,970</u>	<u>10,970</u>	<u>10,272</u>	<u>(698)</u>
<b>Disbursements</b>				
Current:				
Public Works	10,982	10,982	12,587	(1,605)
Debt Service:				
Principal Retirement	-	-	4,003	(4,003)
Interest and Fiscal Charges	-	-	764	(764)
<i>Total Disbursements</i>	<u>10,982</u>	<u>10,982</u>	<u>17,354</u>	<u>(6,372)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12)</u>	<u>(12)</u>	<u>(7,082)</u>	<u>(7,094)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	-	-	5,300	5,300
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>5,300</u>	<u>5,300</u>
<i>Net Change in Fund Balance</i>	(12)	(12)	(1,782)	(1,794)
<i>Fund Balance Beginning of Year</i>	<u>12</u>	<u>12</u>	<u>(4,764)</u>	<u>(4,776)</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$6,546)</u>	<u>(\$6,570)</u>

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	60,440	60,440	70,684	10,244
Interest	-	-	31	31
<i>Total receipts</i>	60,440	60,440	70,715	10,275
<b>Disbursements</b>				
Current:				
Public Works	60,693	60,693	55,368	5,325
Debt Service:				
Principal Retirement	11,659	11,659	6,004	5,655
Interest and Fiscal Charges	2,221	2,221	1,146	1,075
<i>Total Disbursements</i>	74,573	74,573	62,518	12,055
<i>Excess of Receipts Over (Under) Disbursements</i>	(14,133)	(14,133)	8,197	22,330
<b>Other Financing Sources (Uses)</b>				
Advances Out	-	-	(5,300)	(5,300)
<i>Total Other Financing Sources (Uses)</i>	-	-	(5,300)	(5,300)
<i>Net Change in Fund Balance</i>	(14,133)	(14,133)	2,897	17,030
<i>Fund Balance Beginning of Year</i>	14,133	14,133	9,306	(4,827)
<i>Fund Balance End of Year</i>	\$ -	\$ -	\$12,203	\$12,203

See accompanying notes to the basic financial statements

**Knox Township, Vinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Dust Control Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$5,862	\$5,862	\$6,710	\$848
Intergovernmental	4,605	4,605	5,324	719
<i>Total receipts</i>	<u>10,467</u>	<u>10,467</u>	<u>12,034</u>	<u>1,567</u>
<b>Disbursements</b>				
Current:				
General Government	105	105	237	(132)
Public Safety	1,991	1,991	1,981	10
Public Works	8,387	8,387	8,323	64
<i>Total Disbursements</i>	<u>10,483</u>	<u>10,483</u>	<u>10,541</u>	<u>(58)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16)</u>	<u>(16)</u>	<u>1,493</u>	<u>1,509</u>
<i>Net Change in Fund Balance</i>	(16)	(16)	1,493	1,509
<i>Fund Balance Beginning of Year</i>	16	16	1,871	1,855
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,364</u>	<u>\$3,364</u>

See accompanying notes to the basic financial statements

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

Knox Township, (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by three publicly-elected Trustees. The Township also has an elected Clerk.

The Township's management believes the financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. There are no component units within the Township.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the cash balance of the governmental activities of the Township at year-end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are recorded by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program receipts, are presented as general receipts of the Township, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at a more detail level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. Funds are classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General fund, Gasoline Tax, Dust Control, and FEMA for 2005. For 2004 the major governmental funds are the General Fund, Motor Vehicle, Gasoline Tax and Dust Control. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.



Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township Board of Trustees may appropriate.

The appropriations resolution is the Township's Board of Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Township Board of Trustees. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township Board of Trustees.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township Board of Trustees during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

E. Cash and Investments (Continued)

During 2004, the Township invested in repurchase agreements. The securities are not in the Township's name. The Township's financial institution transfers securities to the Township's agent to collateralize the repurchase agreements.

Interested earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 were \$194 and \$302 respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted assets at year-end.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are recorded when paid.

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special purposes.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. There were no such activities for the year.

Note 3 – Change in Presentation and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented a cash basis of accounting presentation described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 3 – Change in Presentation and Restatement of Fund Equity (Continued)

The calculation of net assets of governmental type activities at December 31, 2003 is as follows:

	Fund Balance December 31, 2003
General Fund	\$ 2,938
Gasoline Tax	9,306
Motor Vehicle	(4,764)
Dust Control	1,871
Other Governmental Funds	10,483
Governmental Activities	
Net Assets December 31, 2003	\$ 19,834

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and all major Special Revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is that outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

Note 5 – Deposits and Investments

State statutes classify deposits held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Township has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

Note 5- Deposits and Investments (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year –end of 2005 and 2004, the carrying amount of the Township’s deposits were \$43,219 and \$21,497 respectively and the bank balance for 2005 and 2004 were \$46,657 and \$23,691 respectively. The entire bank balance was covered by federal depository insurance.

There were no investments as of end of 2005 and 2004 that would require the Township to categorize risk and give an indication of the level of risk assumed by the Township at year end.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$4.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$6,073,440
Public Utility Personal Property	560,890
Tangible Personal Property	<u>5,890</u>
Total Assessed Value	<u>\$6,640,220</u>

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

Note 7 – Risk Management

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including loss adjustments expense. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined member's total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

Note 7 – Risk Management (Continued)

Most recent information available:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by a retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

Note 8 – Defined Benefit Pension Plans (Continued)

A. Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's contributions for pension obligations to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$3,902, \$5,277, and \$4,590; respectively; 100% representing the paid contribution for all three years.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described In GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll, 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS 's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$5,248. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



Knox Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

Note 10 – Debt

Debt outstanding at December 31, 2005 was as follows:

	<b>Balance 1/1/2005</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance 12/31/05</b>	<b>Amount Due Within 1 Year</b>
<b>2003 Tractor Note 4.75%</b>	<b>\$ 30,198</b>	<b>-</b>	<b>(\$10,483)</b>	<b>\$ 19,715</b>	<b>\$10,483</b>
<b>Total</b>	<b>\$ 30,198</b>	<b>\$ -</b>	<b>(\$10,483)</b>	<b>\$ 19,715</b>	<b>\$10,483</b>

The general obligation note was issued to finance the purchase of a tractor to be used for Township road maintenance. The full faith and credit of the Township have been pledged to repay this debt.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

<b>Year Ending 12/31</b>	<b><u>2003 G.O. Note</u></b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2006</b>	<b>\$10,483</b>	<b>936</b>	<b>\$11,419</b>
<b>2007</b>	<b>9,232</b>	<b>438</b>	<b>9,670</b>
<b>Total</b>	<b>\$19,715</b>	<b>\$1,374</b>	<b>\$21,089</b>

Note 11 – Transfers and Advances

In 2004 the Township made an advance from the Gasoline Tax fund to the Motor Vehicle Tax fund in the amount of \$5,300. In 2005, the Township transferred money in the amount of \$5,800 from the FEMA fund to the Gasoline Tax fund in the amount of \$5,300 and \$500 in the Dust Control fund. The Township followed all applicable Ohio Revised Code requirements.

Note 12 – Compliance and Accountability

The Township had expenditures that exceed appropriations in several funds contrary to Ohio Revised Code Section 5705.41(B).

The Township had funds with negative cash balances at fiscal year end contrary to Ohio Revised Code Section 5705.10.

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Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Township Trustees  
Knox Township  
Vinton County  
75173 Lively Ridge Road  
Albany, Ohio 45710

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March, 31, 2006, wherein we noted the Township followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-002.

We noted certain matters that we reported to management of the Township in a separate letter dated March 31, 2006.

Knox Township  
Vinton County

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
*Government Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2006

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDING NUMBER 2005-001**

**Noncompliance Citation - Expenditures exceeded Appropriations**

Ohio Rev. Code, Section 5705.41 (B), states “ No subdivision is to expend money unless it has been appropriated. The following fund had expenditures that exceeded appropriations:

<b>Year</b>	<b>Fund</b>	<b>Appropriation Authority</b>	<b>Expenditure</b>	<b>Variance</b>
2005	Dust Control	12,865	18,408	(5,543)
2005	FEMA	0	5,800	(5,800)
2004	Motor Vehicle	10,982	17,354	(6,372)
2005	Dust Control	10,541	10,599	(58)

The Clerk may request the Board of Trustees to amend the appropriation resolution when deemed appropriate.

Auditee Response: The Township will enhance monitoring controls to insure appropriations are adequate.

**FINDING NUMBER 2005-002**

**Material Noncompliance/Material Weakness – Negative Fund Balances**

Ohio Rev. Code, Section 5705.10, provides that all money paid into a fund must be used only for purposes for which was established. As a result, negative fund balances indicate that money from one fund was used to cover the expenses of another fund. The Township had negative fund balances in various funds, as follows:

<b>Date</b>	<b>Fund</b>	<b>Balance</b>
2005	Dust Control	(\$93)
2004	Motor Vehicle	(\$6,546)

We recommend that the Township monitor their fund balances to ensure that funds are used solely for their intended purposes and to prevent negative fund balances.

Auditee Response: The Township will monitor expenditures more thoroughly to insure funds do not spend more than funds are available.

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly certifying the availability of funds.	Yes	
2002-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expending money without the benefit of appropriations.	No	Repeated as Finding Number 2005-001
2003-003	Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16	Yes	





**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 9, 2006**