



Dave Yost • Auditor of State

**KNOX TOWNSHIP
JEFFERSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types FYE 12/31/2017	3
Notes to the Financial Statements FYE 12/31/2017.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types FYE 12/31/2016.....	13
Notes to the Financial Statements FYE 12/31/2016.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings	23
Summary Schedule of Prior Audit Findings (Prepared by Management)	29

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Knox Township
Jefferson County
1670 County Road 53
Irondale, 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, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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 of America, to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Knox Township, Jefferson County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 27, 2018

Knox Township
Jefferson County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$6,747	\$332,732		\$339,479
Licenses, Permits and Fees	9,896			\$9,896
Intergovernmental	31,383	125,459	\$67,555	224,397
Miscellaneous	788	73,735		74,523
<i>Total Cash Receipts</i>	<u>48,814</u>	<u>531,926</u>	<u>67,555</u>	<u>648,295</u>
Cash Disbursements				
Current:				
General Government	32,585	11,022		43,607
Public Safety	7,400	94,826		102,226
Public Works	10,457	324,739	67,555	402,751
Capital Outlay		8,349		8,349
Debt Service:				
Principal Retirement		13,666		13,666
Interest and Fiscal Charges		1,487		1,487
<i>Total Cash Disbursements</i>	<u>50,442</u>	<u>454,089</u>	<u>67,555</u>	<u>572,086</u>
<i>Net Change in Fund Cash Balances</i>	(1,628)	77,837	0	76,209
<i>Fund Cash Balances, January 1</i>	<u>7,551</u>	<u>141,351</u>	<u>3,905</u>	<u>152,807</u>
Fund Cash Balances, December 31				
Restricted	0	219,188	3,905	223,093
Assigned	<u>5,923</u>	<u>0</u>	<u>0</u>	<u>5,923</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,923</u></u>	<u><u>\$219,188</u></u>	<u><u>\$3,905</u></u>	<u><u>\$229,016</u></u>

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK.

Knox Township
Jefferson County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Knox Township, Jefferson County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and general government services. The Township contracts with the Knoxville Volunteer Fire Department to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) a public entity risk pool.

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

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

Note 2 – Summary of Significant Accounting Policies

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, which are organized on a fund type basis.

Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

General Fund

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

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

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

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

Knox Township
Jefferson County

Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Issue II Fund – The Township received a grant from the State for capital improvements. The proceeds are restricted for capital improvement.

Basis of Accounting

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

Budgetary Process

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Knox Township
Jefferson County

Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

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 the Financial Statements
For the Year Ended December 31, 2017*

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Road and Bridge and Fire Special Revenue Funds by \$11,848, \$62,962, and \$13,363, respectively, for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,022	\$48,814	(\$68,208)
Special Revenue	584,922	531,926	(52,996)
Capital Projects	75,000	67,555	(7,445)
Total	\$776,944	\$648,295	(\$128,649)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,594	\$50,442	(\$11,848)
Special Revenue	427,042	454,089	(27,047)
Capital Projects	78,905	67,555	11,350
Total	\$544,541	\$572,086	(\$27,545)

Note 5 - Deposits and Investments

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

Demand deposits	2017 \$229,016
Total deposits	229,016

Deposits are insured by the Federal Deposit Insurance Corporation.

Knox Township
Jefferson County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Property Taxes

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

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

Note 7 - Risk Management

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

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

The Township belongs to the Ohio Township Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc., functions as the administrator of the Pool and provides underwriting claims, loss control, risk management and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with excess risk-sharing program. Under this arrangement OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements, audited by other accountants, conform with generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2017.

**Knox Township
Jefferson County**

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

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

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

2017 Contributions to OTARMA

\$7,006

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

Note 8 - Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salary. The Township has paid all contributions required through December 31, 2017.

Knox Township
Jefferson County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Social Security

One Township employee 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, 2017.

Note 9 – Postemployment Benefits

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 - Debt

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

	Principal	Interest Rate
US Bank Truck Lease	\$45,874	3%
Total	\$45,874	

Amortization

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

Year Ending December 31:	Truck Lease
2018	\$15,153
2019	15,153
2020	15,153
2021	2,526
Total	\$47,985

THIS PAGE INTENTIONALLY LEFT BLANK.

Knox Township
Jefferson County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$6,006	\$274,382		\$280,388
Licenses, Permits and Fees	2,248			2,248
Intergovernmental	33,706	145,477		179,183
Miscellaneous	613			613
<i>Total Cash Receipts</i>	<u>42,573</u>	<u>419,859</u>	<u>\$0</u>	<u>462,432</u>
Cash Disbursements				
Current:				
General Government	32,231	3,856		36,087
Public Safety	1,050	78,869		79,919
Public Works	799	247,667		248,466
Human Services	6,000			6,000
Capital Outlay		70,642		70,642
Debt Service:				
Principal Retirement		11,101		11,101
Interest and Fiscal Charges		1,527		1,527
<i>Total Cash Disbursements</i>	<u>40,080</u>	<u>413,662</u>	<u>0</u>	<u>453,742</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,493</u>	<u>6,197</u>	<u>0</u>	<u>8,690</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		70,642	0	70,642
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>70,642</u>	<u>0</u>	<u>70,642</u>
<i>Net Change in Fund Cash Balances</i>	2,493	76,839	0	79,332
<i>Fund Cash Balances, January 1</i>	<u>5,058</u>	<u>64,512</u>	<u>3,905</u>	<u>73,475</u>
Fund Cash Balances, December 31				
Restricted	0	141,351	3,905	145,256
Unassigned	7,551	0	0	7,551
<i>Fund Cash Balances, December 31</i>	<u>\$7,551</u>	<u>\$141,351</u>	<u>\$3,905</u>	<u>\$152,807</u>

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK.

**KNOX TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Knox Township, Jefferson County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and general government services. The Township contracts with the Knoxville Volunteer Fire Department to provide fire services.

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

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

**KNOX TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. Special Revenue Funds

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

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

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

Fire Fund – This fund receives tax money to pay for fire protection services.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

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

**KNOX TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**KNOX TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2016</u>
Demand deposits	<u>\$152,807</u>
Total deposits	<u>152,807</u>

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

3. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Gasoline Tax Special Revenue Fund by \$12,705 and \$60,890, respectively, for the year ended December 31, 2016.

4. BUDGETARY ACTIVITY

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,881	\$42,573	\$692
Special Revenue	476,948	490,501	13,553
Capital Projects	149,546	0	(149,546)
Total	\$668,375	\$533,074	(\$135,301)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,375	\$40,080	(\$12,705)
Special Revenue	401,740	413,662	(11,922)
Capital Projects	3,905	0	3,905
Total	\$433,020	\$453,742	(\$20,722)

5. PROPERTY TAX

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

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

**KNOX TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
US Bank Truck Lease	\$59,541	3%
Total	\$59,541	

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

Year ending December 31:	Truck Lease
2017	\$15,153
2018	15,153
2019	15,153
2020	15,153
2021	2,525
Total	\$63,137

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Township contributed 14% of participant's gross salaries. The Township has paid all contributions required through December 31, 2016.

8. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**KNOX TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2016:

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

2016 Contributions to OTARMA
\$ 5,952

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



Dave Yost • Auditor of State

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

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

To the Township Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Knox Township, Jefferson County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-002 and 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 27, 2018

**KNOX TOWNSHIP
JEFFERSON COUNTY**

SCHEDULE OF FINDINGS

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

Finding Number 2017-001

Noncompliance

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2017 and 2016 disbursements exceeded appropriations in the following funds:

2017:

Fund	Appropriation	Actual Disbursement	Variance	Percent of Variance
General	\$38,594	\$50,442	\$11,848	23%
Special Revenue Funds:				
Road and Bridge	129,200	192,162	62,962	48
Fire	83,500	96,863	13,363	14

2016:

Fund	Appropriation	Actual Disbursement	Variance	Percent Of Variance
General	\$27,375	\$40,080	\$12,705	32%
Gasoline Tax Special Revenue Fund	69,440	130,330	60,890	47

This is due to the Township not having a policy or procedures in place to review this information to help ensure compliance. Failure to have a policy in place and monitor appropriations could result in overspending and negative fund balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should request Trustees to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available.

Officials' Response: The Township will establish a policy appropriating monies as not to exceed disbursements.

Finding Number 2017-002

Accurate Posting of Transactions – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions in 2017 and 2016. This resulted in adjustments and reclassifications to the financial statements. The Township Fiscal Officer and management have agreed to and posted the adjustments to the Township's accounting records. The corrected amounts are reflected in the accompanying financial statements.

2017 Reclassifications:

Fund	Reclassified from:	Amount	Reclassified to:
Gasoline Tax Special Revenue	General Government Disbursement	\$36,629	Public Works Disbursement
Road and Bridge District Special Revenue	General Government Disbursement	2,160	Public Works Disbursement
General	Unassigned Fund Balance	5,923	Assigned Fund Balance
General	Miscellaneous Revenue	7,500	License, Permits and Fees Revenue
General	Miscellaneous Revenue	5,000	Intergovernmental Revenue

2017 Adjustments:

Fund Adjusted From:	Fund Adjusted to:	Amount	Explanation:
General	Road and Bridge Special Revenue	\$71,941	To adjust Miscellaneous revenue for road work reimbursements to the Road and Bridge Fund.
General	Road and Bridge Special Revenue	61,772	To adjust expenses for road work to the Road and Bridge Fund.
General	Road and Bridge Special Revenue	10,169	To adjust ending fund balance for the difference between the road revenues and expenses.

Finding Number 2017-002
 (Continued)

2016 Reclassifications:

Fund	Reclassified from:	Amount	Reclassified to:
General	Miscellaneous Revenue	\$6,000	Intergovernmental Revenue
Gasoline Tax Special Revenue	General Government Disbursement	35,615	Public Works Disbursement
Gasoline Tax Special Revenue	Public Works Disbursement	70,642	Capital Outlay Disbursement
Road and Bridge Special Revenue	General Government Disbursement	9,586	Public Works Disbursement

Other mispostings were identified, however were not material and the Township decided not to make the adjustments.

The Township did not have procedures in place to record transactions properly.

Failure to consistently follow a uniform chart of accounts increases the possibility the Township will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure financial activity of the Township is accurately recorded and reported.

Officials' Response: The Fiscal Officer will, to the best of his ability, adhere more closely to the chart of accounts.

Finding Number 2017-003

Posting Authorized Budgetary Measures - Material Weakness

Sound accounting practices require accurately posting appropriations to the ledgers to provide information for budget versus actual comparison and to allow the board of trustees to make informed decisions regarding budgetary matters. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means using the accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting ledgers in 2017 and 2016. The following variances were identified:

Finding Number 2017-003
 (Continued)

2017 Revenue:

Fund	Estimated Receipts per Amended Certificate	Estimated Receipts per Accounting System	Variance	% of Variance
General	\$109,471	\$114,496	\$5,025	4%
Special Revenue Funds:				
Gasoline Tax	80,000	82,000	2,000	3
Road and Bridge	142,600	192,600	50,000	35
Fire	92,671	98,700	6,029	7
Road District	101,000	106,300	5,300	5
Issue II Capital Projects	0	75,000	75,000	100

2017 Appropriations:

Fund	Appropriations per Resolutions	Appropriations per Accounting System	Variance	% of Variance
General	\$38,594	\$116,915	\$78,321	190%
Special Revenue Funds:				
Road and Bridge	129,200	179,200	50,000	39
Fire	83,500	97,326	13,826	17
Road District	85,600	90,600	5,000	6
Capital Projects Funds:				
Permanent Improvement	0	3,905	3,905	100
Issue II	0	75,000	75,000	100

Finding Number 2017-003
 (Continued)

2016 Revenue:

Fund	Estimated Receipts per Amended Certificate	Estimated Receipts per Accounting System	Variance	% of Variance
Special Revenue Funds:				
Gasoline Tax	\$88,000	\$158,641	\$70,641	80%
Road and Bridge	120,366	110,700	9,666	8
Fire	88,452	91,791	3,339	4
Road District	83,917	80,950	2,967	4

2016 Appropriations:

Fund	Appropriations per Resolutions	Appropriations per Accounting System	Variance	% of Variance
General	\$27,375	\$41,248	\$13,873	51%
Special Revenue Funds:				
Gasoline Tax	69,440	152,582	83,142	119
Road and Bridge	129,200	123,660	(5,540)	4
Fire	83,500	84,870	(1,370)	2
Road District	85,600	86,600	1,000	1
Capital Projects Funds:				
Issue 2	0	75,000	75,000	100
Miscellaneous Capital Project	0	70,641	70,641	100

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger. The original certificate and amendments establish the amounts available for expenditures in the Township and the receipt ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Failure to accurately post the appropriations the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

When authorized budgetary measures are not accurately posted to the ledgers, the budget versus actual information generated by the Township's accounting system is not an accurate reflection of the intentions of the Board of Trustees.

Finding Number 2017-003

(Continued)

To effectively control the budgetary cycle and to help maintain accountability over Township disbursements and receipt, the Fiscal Officer should post to the ledgers, on a timely basis, appropriation amounts as passed by the Board and estimated resources as certified by the budget commission. The Board should also monitor budget versus actual reports to help ensure supplemental and amended appropriations and amended certificates of estimated resources have been properly posted.

Officials' Response: The Fiscal Officer and Board of Trustees will, in the future, discuss more frequently budget vs actual comparisons to avoid variances.

Knox Township

Jefferson County
1670 County Road 53
Irondale, Ohio 43932

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Posting receipts and expenditures	Not corrected	Reissued as 2017-002.

This page intentionally left blank.



Dave Yost • Auditor of State

KNOX TOWNSHIP

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 20, 2018**