



**Mary Taylor, CPA**  
Auditor of State



**KNOX TOWNSHIP  
HOLMES COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis .....	9
Statement of Activities – Cash Basis .....	10
Statement of Cash Basis Assets and Fund Balances Governmental Funds.....	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances Governmental Funds.....	12
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund .....	13
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis Gasoline Tax Fund.....	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis Road District Fund .....	15
Notes to the Financial Statements .....	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29
Schedule of Findings.....	31

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Knox Township  
Holmes County  
13709 Township Road 224  
Big Prairie, Ohio 44611

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox Township, Holmes County, Ohio, (the Township) as of and for the year ended December 31, 2008, 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 audit 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 audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Knox Township, Holmes County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax and the Road District Funds thereof for the year ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2008, 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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 assessing the results of our audit.

Management's Discussion and Analysis 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 21, 2009

Knox Township  
Holmes County

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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This discussion and analysis of the Knox Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's modified 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 2008 are as follows:

Net assets of governmental activities decreased \$30,633, or 35 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Gasoline Tax, which realized the greatest burden of increased costs in 2008; however, cost increases affected most funds.

The Township's general receipts are primarily property tax. These receipts represent 43 percent of the total cash received for governmental activities during the year. Property tax receipts for 2008 changed very little compared to 2007 as development within the Government has slowed.

### **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 modified 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.

### **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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

Knox Township  
Holmes County

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year 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 or business-type activity 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 modified 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 nonfinancial 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 income taxes.

In the statement of net assets and the statement of activities, all of the Township's services are reported as governmental activities. The Township does not have any business type activities.

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

**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 in one category: governmental.

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. The Township's major governmental funds are the General, Gasoline Tax, and Road District Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Knox Township  
Holmes County

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a modified cash basis:

(Table 1)

**Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Cash and Cash Equivalents	<u>\$87,947</u>	<u>\$118,580</u>
<b>Net Assets</b>		
Restricted for:		
Other Purposes	65,544	93,038
Unrestricted	<u>22,403</u>	<u>25,542</u>
Total Net Assets	<u>\$87,947</u>	<u>\$118,580</u>

As mentioned previously, net assets of governmental activities decreased \$ 30,633 or 35 percent during 2008. The primary reasons contributing to the decreases in cash balances are as follows:

- The Township purchased a dump truck, mower and tractor for \$83,009 out of the Gasoline Tax Fund.
- The Township borrowed money in the amount of \$60,000 to finance the equipment purchased.

Knox Township  
Holmes County

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2008 and 2007 for governmental activities.

(Table 2)

**Changes in Net Assets**

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$4,200	\$7,438
Operating Grants and Contributions	100,932	99,833
Total Program Receipts	105,132	107,271
General Receipts:		
Property and Other Local Taxes	72,010	73,914
Grants and Entitlements Not Restricted to Specific Programs	33,935	26,560
Interest	371	827
Miscellaneous	2,430	990
Total General Receipts	108,746	102,291
Total Receipts	213,878	209,562
Disbursements:		
General Government	56,492	48,432
Public Works	154,048	155,910
Health	4,953	4,937
Capital Outlay	83,269	43,275
Principal Retirement	4,397	
Interest and Fiscal Charges	1,352	
Total Disbursements	304,511	252,554
Proceeds of Notes	60,000	
(Decrease) in Net Assets	(30,633)	(42,992)
Net Assets, January 1	118,580	161,572
Net Assets, December 31	\$87,947	\$118,580

Program receipts represent only 49 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 51 percent of the Township's total receipts, and of this amount, over 66 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (31 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Knox Township  
Holmes County

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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 the Trustees and Clerk as well as internal services such as payroll and purchasing. Disbursements for Public Works represent the costs of maintaining Township roads.

Proceeds of Notes was money borrowed to finance an equipment purchase.

**Governmental Activities**

If you look at the Statement of Activities on page 10, 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 public works and general government, which account for 51 and 18 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify 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 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$56,492	(\$56,492)	\$48,432	(\$48,432)
Public Works	154,048	(73,160)	155,910	(80,519)
Health	4,953	(4,953)	4,937	(4,937)
Capital Outlay	83,269	(63,872)	43,275	(11,395)
Principal Retirement	4,397	(690)		
Interest and Fiscal Charges	1,352	(212)		
<b>Total Expenses</b>	<b>\$304,511</b>	<b>(\$199,379)</b>	<b>\$252,554</b>	<b>(\$145,283)</b>

The dependence upon property tax receipts is apparent as over 26 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$273,878 and disbursements of \$304,511. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund decreased \$16,579 as the result of increased costs for equipment.

Knox Township  
Holmes County

Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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**General Fund Budgeting Highlights**

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

During 2008, the Township did not amend its General Fund budget.

Final disbursements were budgeted at \$81,800 while actual disbursements were \$61,444. The difference between final budgeted disbursement and actual disbursements is proof of the Township's efforts to keep spending below budgeted amounts.

**Debt Administration**

Debt

At December 31, 2008, the Township's outstanding debt included \$55,690 remaining balance on the note for equipment purchase. For further information regarding the Township's debt, refer to the basic financial statements (See Note 7).

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

**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 Kathleen Skolmutch, Township Fiscal Officer, Knox Township, 13709 Township Road 224, Big Prairie, Ohio 44611.

**KNOX TOWNSHIP  
HOLMES COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2008*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$87,947</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$65,544
Unrestricted	<u>22,403</u>
<i>Total Net Assets</i>	<u>\$87,947</u>

See accompanying notes to the basic financial statements.

**KNOX TOWNSHIP  
HOLMES COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2008*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities</b>			
General Government	\$56,492		(\$56,492)
Public Works	154,048	\$4,200	(\$73,160)
Health	4,953		(4,953)
Capital Outlay	83,269		(63,872)
Debt Service:			
Principal Retirement	4,397		(690)
Interest and Fiscal Charges	1,352		(212)
<i>Total Governmental Activities</i>	<u>\$304,511</u>	<u>\$4,200</u>	<u>(199,379)</u>
<b>General Receipts</b>			
Property and Other Local Taxes			72,010
Grants and Entitlements not Restricted to Specific Programs			33,935
Other Debt Proceeds			60,000
Earnings on Investments			371
Miscellaneous			2,430
<i>Total General Receipts</i>			168,746
Change in Net Assets			(30,633)
<i>Net Assets Beginning of Year</i>			<u>118,580</u>
<i>Net Assets End of Year</i>			<u>\$87,947</u>

See accompanying notes to the basic financial statements.

**KNOX TOWNSHIP  
HOLMES COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2008*

	GENERAL	GASOLINE TAX	ROAD DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$22,402	\$41,740	\$15,247	\$8,558	\$87,947
<b>Fund Balances</b>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$22,402				\$22,402
Special Revenue Funds		\$41,740	\$15,247	\$8,558	65,545
<i>Total Fund Balances</i>	<u>\$22,402</u>	<u>\$41,740</u>	<u>\$15,247</u>	<u>\$8,558</u>	<u>\$87,947</u>

See accompanying notes to the basic financial statements.

**KNOX TOWNSHIP  
HOLMES COUNTY**

*Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2008*

	GENERAL	GASOLINE TAX	ROAD DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>					
Property and Other Local Taxes	\$30,034		\$32,449	\$9,527	\$72,010
Intergovernmental	27,585	\$89,806	4,879	12,597	134,867
Charges for Services			4,200		4,200
Earnings on Investments	215	151		5	371
Miscellaneous	471		1,959		2,430
<b>Total Receipts</b>	<b>58,305</b>	<b>89,957</b>	<b>43,487</b>	<b>22,129</b>	<b>213,878</b>
<b>Disbursements</b>					
Current:					
General Government	56,492				56,492
Public Works		77,778	47,461	28,809	154,048
Health	4,953				4,953
Capital Outlay		83,009		260	83,269
Debt Service:					
Principal Retirement		4,397			4,397
Interest and Fiscal Charges		1,352			1,352
<b>Total Disbursements</b>	<b>61,445</b>	<b>166,536</b>	<b>47,461</b>	<b>29,069</b>	<b>304,511</b>
<i>Excess of Receipts (Under) Disbursements</i>	(3,140)	(76,579)	(3,974)	(6,940)	(90,633)
Other Financing Sources:					
Note Proceeds		60,000			60,000
<b>Net Change in Fund Balances</b>	<b>(3,140)</b>	<b>(16,579)</b>	<b>(3,974)</b>	<b>(6,940)</b>	<b>(30,633)</b>
Fund Balances Beginning of Year	25,542	58,319	19,221	15,498	118,580
<b>Fund Balances End of Year</b>	<b>\$22,402</b>	<b>\$41,740</b>	<b>\$15,247</b>	<b>\$8,558</b>	<b>\$87,947</b>

See accompanying notes to the basic financial statements



**KNOX TOWNSHIP  
HOLMES COUNTY**

*Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$31,150	\$31,150	\$30,034	(\$1,116)
Intergovernmental	24,085	24,085	27,585	3,500
Earnings on Investments	525	525	215	(310)
Miscellaneous	500	500	471	(29)
<i>Total Receipts</i>	56,260	56,260	58,305	2,045
<b>Disbursements</b>				
Current:				
General Government	64,400	64,400	56,492	7,908
Health	17,400	17,400	4,953	12,447
<i>Total Disbursements</i>	81,800	81,800	61,445	20,355
<i>Excess of Receipts Over (Under) Disbursements</i>	(25,540)	(25,540)	(3,140)	22,400
<i>Fund Balance Beginning of Year</i>	25,542	25,542	25,542	0
<i>Fund Balance End of Year</i>	\$2	\$2	\$22,402	\$22,400

See accompanying notes to the basic financial statements.

**KNOX TOWNSHIP  
HOLMES COUNTY**

*Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$88,000	\$88,000	\$89,806	\$1,806
Earnings on Investments	325	325	151	(174)
<i>Total Receipts</i>	<u>88,325</u>	<u>88,325</u>	<u>89,957</u>	<u>1,632</u>
<b>Disbursements</b>				
Current:				
Public Works	90,500	90,500	77,778	12,722
Capital Outlay	56,140	56,140	83,009	(26,869)
Debt Service:				
Principal Retirement			4,397	(4,397)
Interest and Fiscal Charges			1,352	(1,352)
<i>Total Disbursements</i>	<u>146,640</u>	<u>146,640</u>	<u>166,536</u>	<u>(19,896)</u>
Net Change in Fund Balances	(58,315)	(58,315)	(76,579)	(18,264)
Other Financing Sources:				
Sale of Notes		60,000	60,000	
<i>Fund Balance Beginning of Year</i>	<u>58,319</u>	<u>58,319</u>	<u>58,319</u>	
<i>Fund Balance End of Year</i>	<u>\$4</u>	<u>\$60,004</u>	<u>\$41,740</u>	<u>(\$18,264)</u>

See accompanying notes to the basic financial statements.

**KNOX TOWNSHIP  
HOLMES COUNTY**

*Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual -Budget Basis  
Road District Fund  
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$34,650	\$34,650	\$32,449	(\$2,201)
Intergovernmental	2,000	2,000	4,879	2,879
Charges for Services			4,200	4,200
Miscellaneous	2,000	2,000	1,959	(41)
<i>Total Receipts</i>	<u>38,650</u>	<u>38,650</u>	<u>43,487</u>	<u>4,837</u>
<b>Disbursements</b>				
Current:				
Public Works	57,870	57,870	47,461	10,409
<i>Excess of Receipts Over (Under) Disbursements</i>	(19,220)	(19,220)	(3,974)	15,246
<i>Fund Balance Beginning of Year</i>	19,221	19,221	19,221	
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$1</u>	<u>\$15,247</u>	<u>\$15,246</u>

See accompanying notes to the basic financial statements.

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Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008

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**Note 1 – Reporting Entity**

Knox Township, Holmes County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**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 government services and maintenance of Township roads and bridges. The Township contracts with the Holmes County Sheriff's Department to provide police protection. The Township contracts with the Western Holmes County Fire District to provide fire and ambulance services. The Western Holmes County Fire District is more fully described in Note 13 as a jointly governed organization.

**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.

Knox Township has no component units.

**C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 1 – Reporting Entity** (continued)

The Township participates in four jointly governed organizations and a public entity risk pool. Notes 8 and 11 through 14 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Holmes County Emergency Management Agency  
Holmes County Health District Advisory Council  
Western Holmes County Fire District  
Holmes County Regional Planning Commission

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA)

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. Following are the more significant of the Township's accounting policies.

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 statements distinguish between those activities that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. All activities of the Township are governmental activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township does not report any business-type activities.

The statement of net assets presents the cash balances 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 reported 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. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor 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 defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized 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, and the Road District Fund. 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 Gasoline Tax and the Road District Fund are all used to account for tax money for constructing, maintaining and repairing Township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

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 liabilities and the related expenses) are not recorded in these financial statements.

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process**

All 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 may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object 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.

The appropriations ordinance 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 ordinance 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 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".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$215.

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

**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.



Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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.

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 constructing, maintaining, and repairing Township roads. 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. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

O. 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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 3 – Noncompliance**

Contrary to Ohio Revised Code Section 5705.41 (B), certain appropriation amendments were not properly approved by the Board of Trustees and therefore expenditures exceeded appropriations in the Gas Tax Fund by \$32,618.

**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 any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

There were no encumbrances outstanding at year end (budgetary basis) in the general fund or any major special revenue fund.

**Note 5 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active 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 Trustees have identified as not required for use within the current five 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 held by the Township can 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 5 – Deposits and Investments** (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) 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).

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.

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.

Deposits

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2008, the Township had no investments.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2007 taxes.

2008 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. 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.

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

**Note 6 – Property Taxes** (continued)

Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$4.10 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property and Public Utility	\$19,941,670
Tangible Personal Property	203,220
Total Assessed Values	\$20,144,890

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**Note 7 – Debt**

Debt outstanding at December 31, 2008 was as follows:

Note Debt	\$55,690	4.00%
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The Township entered into a Note Debt agreement with The Killbuck Savings Bank Company Financing in June 2008 for the purchase of a Tractor in the amount of \$60,087.

Amortization of the above debt is scheduled as follows:

Year	Note	
	Principal	Interest
2008	\$4,397	\$1,352
2009	7,769	2,085
2010	8,086	1,769
2011	8,415	1,439
2012	8,754	1,100
2013–2015	22,666	1,149
Totals	\$60,087	\$8,894

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 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. 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

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 members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 8 – Risk Management** (continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$6,800. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Contributions to OTARMA

2007	\$3,043
2008	3,348

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 contributions, minus the subsequent year's budgetary 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.

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 9 - Defined Benefit Pension Plans**

***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 the 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.

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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for the years ended December 31, 2008, 2007, and 2006 were \$11,176, \$10,108 and \$8,883, respectively; the full amount has been contributed for 2008, 2007 and 2006.

**Note 10 - Postemployment Benefits**

***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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2008 local government employer contribution rate was 14 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.00 percent was the portion that was used to fund health care from July 1 through December 31, 2007.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 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 .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

Knox Township  
Holmes County

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(Continued)

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**Note 10 - Postemployment Benefits** (continued)

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$3,649. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**Note 11 – Holmes County Emergency Management Agency**

The Agency is a statutorily created political subdivision of the State. The Agency is jointly governed among Holmes County, municipalities and townships. The Agency establishes a program for emergency management that includes development of an emergency operations plan which is applicable to all political subdivisions that have entered into the county-wide agreement.

**Note 12 – Holmes County Health District Advisory Council**

The Council is a body politic and corporate established under Section 3709.01, Revised Code, for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council operates under the direction of a five-member appointed board and appointed health commissioner. Services provided by the Council include referrals to Bureau of Crippled Children Services Program, communicable disease investigations, immunization clinics, tuberculosis screening, home visits, various licenses and permits, including inspections, birth and death certificates and related services.

**Note 13 – Western Holmes County Fire District**

The District is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are: Village of Nashville, Washington Township, Ripley Township, and Knox Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

**Note 14 – Holmes County Regional Planning Commission**

The Commission is governed by an eleven member board, of which seven are appointed by the County. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and social, economical and governmental characteristics, functions and services of the County.





# Mary Taylor, CPA

Auditor of State

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

Knox Township  
Holmes County  
13709 Township Road 224  
Big Prairie, Ohio 44611

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox Township, Holmes County, Ohio, (the Township) as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 21, 2009. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 21, 2009.

### **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, providing an opinion 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 matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 21, 2009.

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 21, 2009

KNOX TOWNSHIP  
HOLMES COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008

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

FINDING NUMBER 2008-001

**Material Weakness**

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated. **Ohio Rev. Code Section 5705.40** provides any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation. *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152, indicates that a local government's governing board is prohibited from delegating those discretionary duties statutorily assigned to it. Following such reasoning, a governing board is prohibited from delegating the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

During 2008, the Township Fiscal Officer amended appropriations in the Gasoline Tax Fund for the purchase of equipment without the approval of the Township Trustees. The Township Trustees are the legislative authority and should approve all supplemental appropriations in the minute records.

At December 31, 2008, expenditures plus outstanding encumbrances exceeded appropriations within the Gasoline Tax Fund by \$32,618 since the Fiscal Officer did not submit the respective appropriation amendment to the Board of Trustees for approval.

The Fiscal Officer should submit all supplemental appropriations to the Board of Trustees for approval as evidenced in the minute records.

**Officials' Response:** As Fiscal Officer, I overlooked that a supplemental appropriation was included in the transaction to set up the note on the books; therefore, I did not get Board approval.





Mary Taylor, CPA  
Auditor of State

**KNOX TOWNSHIP**

**HOLMES 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  
JULY 14, 2009**