



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

MILLER TOWNSHIP
KNOX COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015
Fiscal Years Audited Under GAGAS: 2016 and 2015



Dave Yost • Auditor of State

Board of Trustees
Miller Township
13520 Sycamore Road
Mt. Vernon, Ohio 43050

We have reviewed the *Independent Auditor's Report* of Miller Township, Knox County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 26, 2017

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Miller Township
Knox County, Ohio
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For the Fiscal Years Ended December 31, 2016 and 2015

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Independent Auditor's Report

Miller Township
Knox County
13520 Sycamore Road
Mount Vernon, Ohio 43050

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of Miller Township, Knox County, Ohio, (the Township), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, 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 Miller Township, Knox County, Ohio, as of December 31, 2016 and 2015, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2017, on our consideration of the Township's internal control over financial reporting and on 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 Standard* in considering the Township's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Columbus, Ohio
August 30, 2017

**MILLER TOWNSHIP
KNOX COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 49,282	\$ 76,524	\$ -	\$ 125,806
Licenses, Permits and Fees	8,530	-	-	8,530
Intergovernmental	26,004	101,570	-	127,574
Earnings on Investments	28	8	4	40
Miscellaneous	-	600	-	600
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	83,844	178,702	4	262,550
Cash Disbursements:				
Current:				
General Government	55,304	-	-	55,304
Public Safety	-	51,371	-	51,371
Public Works	1,940	103,299	-	105,239
Health	2,572	2,051	-	4,623
Conservation-Recreation	1,433	-	-	1,433
Capital Outlay	-	9,150	-	9,150
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	61,249	165,871	-	227,120
Net Change in Fund Cash Balances	22,595	12,831	4	35,430
Fund Cash Balances, January 1	144,962	202,960	1,447	349,369
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,100	1,100
Restricted	-	215,791	351	216,142
Assigned	167,557	-	-	167,557
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 167,557</u>	<u>\$ 215,791</u>	<u>\$ 1,451</u>	<u>\$ 384,799</u>

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

**MILLER TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 47,794	\$ 61,432	\$ -	109,226
Licenses, Permits and Fees	7,724	-	-	7,724
Intergovernmental	21,323	102,020	-	123,343
Earnings on Investments	26	9	5	40
Miscellaneous	-	2,447	-	2,447
	<u>76,867</u>	<u>165,908</u>	<u>5</u>	<u>242,780</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	52,000	-	-	52,000
Public Safety	-	61,165	-	61,165
Public Works	2,529	98,883	-	101,412
Health	1,374	986	-	2,360
Conservation-Recreation	1,727	-	-	1,727
Capital Outlay	5,590	-	-	5,590
	<u>63,220</u>	<u>161,034</u>	<u>-</u>	<u>224,254</u>
Total Cash Disbursements				
Net Change in Fund Cash Balances	13,647	4,874	5	18,526
Fund Cash Balances, January 1	<u>131,315</u>	<u>198,086</u>	<u>1,442</u>	<u>330,843</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,100	1,100
Restricted	-	202,960	347	203,307
Assigned	144,962	-	-	144,962
	<u>144,962</u>	<u>202,960</u>	<u>1,447</u>	<u>349,369</u>
Fund Cash Balances, December 31	<u>\$ 144,962</u>	<u>\$ 202,960</u>	<u>\$ 1,447</u>	<u>\$ 349,369</u>

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

**MILLER TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 Miller Township, Knox County, Ohio (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 cemetery maintenance. The Township contracts with the Homer Fire Department to provide fire protection and emergency medical services.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township maintains an interest earning checking account and a certificate of deposit.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Township had the following Special Revenue Funds:

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

Fire Fund - This fund receives property tax money to pay for contracted fire protection services.

Ambulance Fund - This fund receives property tax money to pay for contracted ambulance services.

**MILLER TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Permanent Funds

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 cancelled, and reappropriated in the subsequent year.

A summary of 2016 and 2015 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:

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.

**MILLER TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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. Capital Assets

The Township records disbursements for acquisition of property, plant and equipments 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2016	2015
Demand deposits	\$ 383,348	\$ 347,922
Certificates of Deposit	1,451	1,447
Total deposits	\$ 384,799	\$ 349,369

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**MILLER TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 67,141	\$ 83,844	\$ 16,703
Special Revenue	176,918	178,702	1,784
Permanent	4	4	-
Total	<u>\$ 244,063</u>	<u>\$ 262,550</u>	<u>\$ 18,487</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 212,104	\$ 61,249	\$ 150,855
Special Revenue	363,220	165,871	197,349
Permanent	351	-	351
Total	<u>\$ 575,675</u>	<u>\$ 227,120</u>	<u>\$ 348,555</u>

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 57,032	\$ 76,867	\$ 19,835
Special Revenue	164,412	165,908	1,496
Permanent	5	5	-
Total	<u>\$ 221,449</u>	<u>\$ 242,780</u>	<u>\$ 21,331</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 188,364	\$ 63,220	\$ 125,144
Special Revenue	357,973	161,034	196,939
Permanent	348	-	348
Total	<u>\$ 546,685</u>	<u>\$ 224,254</u>	<u>\$ 322,431</u>

4. 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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**MILLER TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2016, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. CONTINGENT LIABILITIES

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

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Miller Township
Knox County
13520 Sycamore Road
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Miller Township, Knox County, (the Township) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated August 30, 2017, wherein we noted the Township followed financial reporting provisions that 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control testing 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.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Columbus, Ohio
August 30, 2017

Miller Township
Knox County
Schedule of Findings
December 31, 2016 and 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2016-001
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MATERIAL WEAKNESS

During the audit period, it was noted the Township did not receive homestead and rollback monies in the amount of \$11,822.71 and \$14,923.78 for 2016 or 2015, respectively. Upon inquiry with management, the Township never went through the Electronic Funds Transfers registration process with the State of Ohio.

Receiving all funds due to the Township is essential for the ongoing functions that the Township carries out. The potential loss of over \$26,000 would be a significant financial loss to the Township.

Township management is responsible for ensuring that every measure is taken to receive money that is due to the Township. We recommend that the Township immediately go through the process required to receive any outstanding Electronic Fund Transfers from the State of Ohio.

Client Response:

The client did not provide a response to the finding.

Miller Township
Knox County
Schedule of Prior Audit Findings
December 31, 2016 and 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	ORC 5705.10 (D) – Homestead and rollback monies were not posted to correct funds.	No	See finding 2016-001. Homestead and Rollback monies were not received by the Township because the township did not set up EFT payments with the State of Ohio.



Dave Yost • Auditor of State

MILLER TOWNSHIP

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2017**