

Knox Township
Vinton County
Regular Audit
For the Years Ended December 31, 2021 and 2020



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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Knox Township
73084 Long Run Road
Albany, Ohio 45710

We have reviewed the *Independent Auditor's Report* of Knox Township, Vinton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2020 through December 31 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 22, 2024

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Knox Township
Vinton County
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For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Knox Township
Vinton County
73084 Long Run Road
Albany, Ohio 45710

Report on the Audit of the Financial Statements

Adverse and Qualified Opinions

We have audited the financial statements of Knox Township, Vinton County, Ohio (the Township) which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter discussed in the *Basis for Additional Opinion Qualification* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes of Knox Township, Vinton County, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified audit opinions.

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

As described in note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Basis for Additional Opinion Qualification

The Trustees did not complete payroll certifications when salaries, fringe benefits, and insurance reimbursements were paid from funds other than the general fund for 2017 and 2016. Had these posting errors been properly posted to the financial statements and the accounting system, the general fund cash fund balance would have decreased \$48,253, and the gasoline tax fund cash fund balances would have increased \$48,253. Due to the impact these adjustments would have on the general fund, the Township declined to make these adjustments in this audit period.

Payroll disbursements are reported at \$58,993 for the year ended December 31, 2021, which is 36 percent of special revenue fund disbursements for the year ended December 31, 2021. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as payroll disbursements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Emphasis of Matters

As discussed in note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

As discussed in note 14 to the financial statements, the Township has unposted audit adjustments and unpaid federal and state income tax withholdings and employer contributions that will have a significant negative impact the general fund and special revenue funds. Note 14 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on the financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

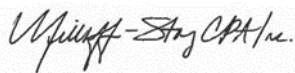
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

April 25, 2024

Knox Township
Vinton County
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$13,110	\$27,125	\$40,235
Intergovernmental	32,985	158,063	191,048
Earnings on Investments	246	0	246
Miscellaneous	3,896	4,356	8,252
Total Cash Receipts	50,237	189,544	239,781
Cash Disbursements:			
Current:			
General Government	33,045	2,269	35,314
Public Safety	4,500	0	4,500
Public Works	4,010	129,684	133,694
Health	0	16,515	16,515
Capital Outlay	0	9,310	9,310
Other	3,083	0	3,083
Debt Service:			
Redemption of Principal	0	6,864	6,864
Interest and Other Fiscal Charges	0	493	493
Total Cash Disbursements	44,638	165,135	209,773
Net Change in Fund Balance	5,599	24,409	30,008
Fund Cash Balances, January 1	43,427	230,648	274,075
Fund Cash Balances, December 31	\$49,026	\$255,057	\$304,083

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

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Knox Township, Vinton County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Zaleski to provide fire services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

MVLT Fund – This fund accounts for and reports that portion of the State motor vehicle license tax restricted for maintenance and repair of roads within the Township.

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

Basis of Accounting

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

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

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Budgetary Process

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

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

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

Encumbrances – The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried forward and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 4.

Deposits and Investments

The Township had one primary interest-bearing checking account during the year.

Capital Assets

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

Fund Balance

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

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

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

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

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 - Compliance

Contrary to Ohio law, the Township holds promissory notes without statutory provision authorizing the method of incurring the debt. Contrary to Ohio law, the Township' minutes lack sufficient information to allow readers to understand the intentions and actions of the board. Contrary to Ohio law, the Township had appropriations in excess of estimated resources in the General Fund. Contrary to Ohio law, the Township made payments that are not for a proper public purpose. Contrary to Ohio law, the Township did not always certify the availability of funds prior to the commitment being incurred and did not always use the proper type of purchase order. Contrary to Federal and Ohio laws, the Township did not file quarter tax reports nor did it pay the required federal and state withholding and employer tax contributions.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2021 as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,500	\$50,237	\$15,737
Special Revenue	196,100	189,544	(6,556)
Total	\$230,600	\$239,781	\$9,181

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,709	\$46,101	\$36,608
Special Revenue	411,964	170,720	241,244
Total	\$494,673	\$216,821	\$277,852

Note 5 - Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Township's deposits as of December 31, 2021 is as follows:

Demand Deposits	\$304,083
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Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 - Property Taxes

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

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2021.

Note 9 - 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 is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

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

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021:

Cash and investments	\$34,880,599
Actuarial liabilities	10,601,444

Note 10 - Debt

Debt outstanding at December 31, 2021 was as follow:

	Principal	Interest Rate
Ford Dump Truck	\$3,918	3.52%
Bush Hog Mower	4,806	4.40%
Total	\$8,724	

The Township issued general obligation debt to finance the purchase of a new dump truck in 2012 in the amount of \$19,900 and bush hog mower in 2018 in the amount of \$13,500 for Township road and cemetery maintenance. The collateral pledged was the dump truck itself.

Amortization

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

Year Ending December 31:	Dump Truck	Bush Hog Mower
2022	\$3,981	\$2,762
2023	0	2,259
Total	\$3,981	\$5,021

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$1,463	\$5,585	\$7,048

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Contingent Liabilities

The Township is not currently party to litigation.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state ended in April 2023. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The Township did not receive any funding in 2021.

Note 14 – Going Concern

At December 31, 2021, the Township's general fund had a fund cash balance of \$49,026. The Township also has unposted findings for adjustment totaling \$48,253 against the general fund in favor of restricted funds. If the Township posted the findings for adjustment, the general fund would have a fund cash balance of \$773.

Additionally, the Township has not remitted any federal or state tax withholdings or employer contributions since the first quarter of 2020, resulting in unpaid taxes as follows:

	<u>Federal</u>	<u>State</u>
2021	\$3,996	\$702
2020	2,777	487
Total	<u>\$6,773</u>	<u>\$1,189</u>

The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the general fund in addition to resolving unpaid balances.

Knox Township
Vinton County
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$13,587	\$28,335	\$41,922
Intergovernmental	14,288	152,489	166,777
Earnings on Investments	599	53	652
Miscellaneous	1,245	0	1,245
	<hr/>		
Total Cash Receipts	29,719	180,877	210,596
Cash Disbursements:			
Current:			
General Government	32,841	2,400	35,241
Public Safety	4,500	0	4,500
Public Works	1,278	133,630	134,908
Health	0	14,739	14,739
Capital Outlay	0	4,067	4,067
Debt Service:			
Redemption of Principal	0	6,604	6,604
Interest and Other Fiscal Charges	0	765	765
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Total Cash Disbursements	38,619	162,205	200,824
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Net Change in Fund Balance	(8,900)	18,672	9,772
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Fund Cash Balances, January 1	52,327	211,976	264,303
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Fund Cash Balances, December 31	\$43,427	\$230,648	\$274,075
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The notes to the financial statements are an integral part of this statement.

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Knox Township, Vinton County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Zaleski to provide fire services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

Basis of Accounting

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

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

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Budgetary Process

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

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

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

Encumbrances – The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried forward and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 4.

Deposits and Investments

The Township had one primary interest-bearing checking account during the year.

Capital Assets

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

Fund Balance

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

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

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

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

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 - Compliance

Contrary to Ohio law, the Township holds promissory notes without statutory provision authorizing the method of incurring the debt. Contrary to Ohio law, the Township' minutes lack sufficient information to allow readers to understand the intentions and actions of the board. Contrary to Ohio law, the Township had appropriations in excess of estimated resources in the General Fund. Contrary to Ohio law, the Township did not always use the proper type of purchase order. Contrary to Federal and Ohio laws, the Township did not file quarter tax reports nor did it pay the required federal and state withholding and employer tax contributions.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2020 as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,552	\$29,719	\$6,167
Special Revenue	147,859	180,877	33,018
Total	\$171,411	\$210,596	\$39,185

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,401	\$39,425	\$38,976
Special Revenue	357,329	164,787	192,542
Total	\$435,730	\$204,212	\$231,518

Note 5 - Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Township's deposits as of December 31, 2020 is as follows:

Demand Deposits \$274,075

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 - Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2020.

Note 9 - 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 is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

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

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2020:

Cash and investments	\$36,348,066
Actuarial liabilities	10,894,146

Note 10 - Debt

Debt outstanding at December 31, 2020 was as follow:

	Principal	Interest Rate
Ford Dump Truck	\$8,047	3.52%
Bush Hog Mower	7,541	4.40%
Total	\$15,588	

The Township issued general obligation debt to finance the purchase of a new dump truck in 2012 in the amount of \$19,900 and bush hog mower in 2018 in the amount of \$13,500 for Township road and cemetery maintenance. The collateral pledged was the dump truck itself.

Amortization

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

Year Ending December 31:	Dump Truck	Bush Hog Mower
2021	\$4,344	\$3,025
2022	3,981	2,762
2023	0	2,259
Total	\$8,325	\$8,046

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$806	\$2,582	\$3,388

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Contingent Liabilities

The Township is not currently party to litigation.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently

Knox Township
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state ended in April 2023. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The Township did not receive any funding in 2020.

Note 14 – Going Concern

At December 31, 2020, the Township's general fund had a fund cash balance of \$43,427. The Township also has unposted findings for adjustment totaling \$48,253 against the general fund in favor of restricted funds. If the Township posted the findings for adjustment, the general fund would have a deficit fund cash balance of \$4,826.

Additionally, the Township has not remitted any federal or state tax withholdings or employer contributions since the first quarter of 2020, resulting in unpaid taxes as follows:

	<u>Federal</u>	<u>State</u>
2020	\$2,777	\$487

The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the general fund in addition to resolving unpaid balances.

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

Independent Auditor's Report

Board of Trustees
Knox Township
Vinton County
73084 Long Run Road
Albany, Ohio 45710

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Knox Township, Vinton County (the Township) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements and have issued our report thereon dated April 25, 2024, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also qualified our opinion on the financial statements for 2021 and 2020 due to the Township not making prior year audit adjustment against the general fund and in favor of the gasoline tax fund in the amount of \$48,253, and for having insufficiently supported payroll disbursements for 2021. Additionally, we noted there is uncertainty about the Township's ability to continue as a going concern and that the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-003 through 2021-006, 2021-008, and 2021-009, that we consider to be material weaknesses.

Knox Township
Vinton County

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

Page 2

Report on Compliance and Other Matters

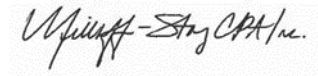
As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-002, 2021-003, 2021-007, and 2021-010 through 2021-012.

Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

April 25, 2024

Knox Township
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2021-001

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township’s financial statements. The Township misclassified various expenditures and receipts by line item in 2020 and 2021 that were corrected in the accompanying financial statements. There were also certain revenues and expenditures that were posted to incorrect funds which were also corrected in the accompanying financial statements. Additionally, the Township was unable to provide support for allocations of certain expenditures among its funds. These items were determined to be allowable costs for these funds and were otherwise immaterial to the financial statements. Further, the financial statements also contain an error due to an unrecorded audit adjustment from the 2016-2017 audit which results in general fund cash balances being overstated and gasoline tax fund cash balances being understated by \$48,253. Lastly, various changes were proposed to the Township’s notes to the financial statements. The Township should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and related note disclosures.

Township Response:

Township officials chose not to respond.

Finding Number 2021-002

Noncompliance – Unallowable Debt

Ohio Revised Code Chapter 133 authorizes certain methods by which subdivisions may incur debt. Ohio Revised Code Section 133.22 states that a subdivision may issue anticipatory securities if it meets the requirements outlined in the statute. Ohio Revised Code Section 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Ohio Revised Code Section 133.15 states that a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct. Ohio Revised Code Section 133.18 states that the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2020 and 2021, the Township made various principal and interest payments on outstanding promissory notes. However, these notes are not authorized in Ohio Revised Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Township Response:

Township officials chose not to respond.

Knox Township
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

Finding Number 2021-003

Material Weakness/Noncompliance – Minutes

Ohio Revised Code Section 121.22(C) requires that all meetings of any public body be open to the public. The minutes of regular and special meetings are to be promptly recorded and open to the public for inspection. Executive session may be held at a regular or special meeting but must be entered into and returned from during the public meeting. To enter into executive session requires a roll call vote while ending an executive session only requires a notation in the minutes that the body has returned to open session. But both instances must occur during the public portion of the meeting. Matters that can be discussed during executive session are specifically limited by Ohio Revised Code Section 121.22(G); actions and decisions must occur during the open meetings. The minutes need to only reflect the general subject matter of discussions in executive sessions.

Minutes are prepared to account for formal actions taken by a governing board. Although not required to be verbatim, it is imperative that minutes are sufficiently detailed to allow a reader to understand what formal actions have been taken. Per review of the minutes of the Township, contents of the minutes were not sufficiently detailed to always make such determinations. Additionally, there were notable omissions from the minute record including adoption of appropriations measures and employment activities such as hirings, pay rate changes, and authorization of health insurance reimbursements. Further, the Township held executive sessions for which general subject matter of discussions was not documented. Lastly, the Township was unable to produce minutes for several meetings subsequent to the end of the audit period for subsequent event review.

Failure to maintain a sufficiently detailed minute record does not allow readers to determine what actions were taken by the Board of Trustees. The Township should implement the appropriate procedures to ensure that minutes are sufficiently detailed, include all official actions taken, are properly filed and maintained, and that general subject matter of executive sessions is documented.

Township Response:

We will document more details within the minutes and make them ready to be viewed by the public.

Finding Number 2021-004

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to appropriations are authorized by the governing board. Budgetary information entered into the accounting system did not match amounts per the appropriations measure for the FEMA fund for 2020. Additionally, audit adjustments were proposed during the 2018-2019 audit and were posted to the system during 2020, but the Township did not file an amended certificate of estimated resources to reflect these fund-to-fund changes. The Township should implement the appropriate procedures to ensure that all authorized budgetary amendments and fund to fund cash adjustments are reflected in both the accounting system and the budgetary documents filed with the County.

Township Response:

Township officials chose not to respond.

Knox Township
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

Finding Number 2021-005

Material Weakness – Maintenance of Supporting Documentation

Maintenance of supporting documentation is a pertinent control process for a properly functional internal control environment. During the course of testing, we found that several tax settlement sheets as well as a loan document and a fire contract, were not maintained by the Township. Requests were made to the County in order to complete testing of property tax and certain intergovernmental revenues and of the lender in order to complete testing of debt covenants. The amount paid for the fire contract could be confirmed to an entry in the minutes and was consistent with the contract provided for the subsequent year. Additionally, we found that some bank statements could not be located, including those respective cancelled check images, nor could cancelled check images be located for certain months for which bank statements were located. Further, we had instances where original supporting documentation for expenditures was not maintained and reproduced documentation had to be provided by those vendors. Lastly, we found instances where supporting receipts for charges made with the Township's credit cards were not maintained and an instance where one detailed credit card statement could not be located or provided by the bank. Lack of supporting documentation could result in errors or misuse of funds going undetected and doesn't provide an adequate audit trail. The Township should implement the appropriate procedures to ensure that supporting documentation is maintained.

Township Response:

We will implement the appropriate procedures to ensure that supporting documentation is maintained.

Finding Number 2021-006

Material Weakness – Segregation of Duties and Monitoring of Financial Activities

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. The small size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions. It is therefore important that the Board of Trustees function as a finance committee to monitor financial activity closely. There was no documentation the Board of Trustees reviewed bank reconciliations or other substantial financial data during the audit period. Financial information generally provided during the monthly meetings includes a total for all deposits and expenditures and bank balances. Multiple Trustees also sign each check issued by the Township, but otherwise, no detailed financial activity appears to be provided, nor is budget to actual information presented. Additionally, minutes were often not detailed enough to determine what other monitoring procedures are performed. This could result in errors and omissions in posting or reconciling to occur and not be identified by the Trustees in a timely manner. It could also result in the potential for the Trustees to make different decisions on courses of action with a more complete picture of the financial activities and balances of the Township. The Trustees should review and approve bank reconciliations and other financial reports monthly. Regular review of this information is a valuable tool for management to identify and react to unexpected activity and also to identify and correct errors in a timely manner. These reviews should be evidenced by documentation in the minutes of the Township meetings and bank reconciliations should be initialed by Trustees. The minute record should also document which reports are reviewed by the Trustees each month.

Township Response:

We will have the Trustees review and sign off on governing board signature page at meetings and include bank reconciliation summary, appropriation summary, fund summary, revenue summary, payment listing, and payroll reports.

Knox Township
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

Finding Number 2021-007

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The Township had appropriations in excess of estimated resources in the General Fund in 2020 due to failure to adjust estimated resources for audit adjustments. The General Fund also had appropriations in excess of estimated resources in 2021 after audit adjustments were recorded. The Township should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur. The Township should also ensure that if adjustments are made that affect cash balances, the impact of those adjustments should be considered as to whether a revised amended certificate should be obtained.

Township Response:

Township officials chose not to respond.

Finding Number 2021-008

Material Weakness – Bank Reconciliation Controls

Having sound internal control procedures in place over the reconciliation process is essential to ensure the Township's cash balances are accurate. Preparing reconciliations timely is imperative to ensure that errors are quickly identified and resolved. During the course of testing, we found that reviews of bank reconciliations by the Trustees were not documented for the entire audit period, nor did the Trustees sign any reconciliations for the audit period to evidence that reviews were performed. Failure to adequately monitor financial activities, particularly in an environment where segregation of duties is limited, can increase an organization's risk that fraud or misappropriation of assets occurs and is not detected. We recommend that the Township implement additional procedures to ensure that Trustees are performing reviews of bank reconciliations to help mitigate the risk of fraud or error. Such reviews should be documented, whether in the minute record, as signatures on the bank reconciliations, or by other means deemed appropriate.

Township Response:

We will have the Trustees sign bank reconciliations at every meeting.

Finding Number 2021-009

Material Weakness – Employee Timesheets

Employees paid out of funds other than the general fund should properly document on timesheets which projects they were working on to support payroll allocations. During testing, we noted that several employees were paid without presenting timesheets. Many of the timesheets that could be located were not sufficiently detailed to adequately document the activities performed in order to support the amounts paid from funds other than the general fund. The hours reported on these timesheets did not seem to correspond to the time that would generally be required to complete the tasks for which the employees were being paid on an hourly basis. We recommend that Township not issue payment without proper supporting documentation, that timesheets are reviewed by a supervisor to ensure amounts reported are reasonable for the tasks performed, and that these timesheets are sufficiently detailed to allow the supervisor to make such an assessment.

Township Response:

Trustees and employees have started keeping track of hours worked and what roads were worked on. Copies will be attached to their payroll certification monthly sheets.

Knox Township
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

Finding Number 2021-010

Noncompliance – Proper Public Purpose

State ex. Rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During testing of disbursements, we noted that the Township was assessed penalties and interest charges for failure to file its IT-941 for 2019. The Township paid \$3,083 in penalties/late fees in 2021. The Township should ensure that all filings are made by their respective due dates.

Township Response:

Township officials chose not to respond.

Finding Number 2021-011

Noncompliance – Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a Fiscal Officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the organization can authorize the drawing of a warrant for the payment of the amount due. The organization has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the organization.

2. Blanket Certificate – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line-item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line-item appropriation.

Knox Township
Vinton County
Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

Finding Number 2021-011 (Continued)

Noncompliance – Proper Encumbrance of Funds (Continued)

3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

During the course of testing, we noted an instance where a obligation was not properly encumbered. Additionally, we found that the Township does not always properly distinguish between blanket certificates and super blanket certificates. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances. We recommend the Fiscal Officer obtain the certification of the availability of funds prior to the commitment being incurred. Additionally, we recommend that the Township review guidance for use of purchase orders versus blanket certificates versus super blanket certificates and adjust practices as appropriate to ensure the proper certificate is used for each obligation.

Township Response:

Township officials chose not to respond.

Finding Number 2021-012

Noncompliance – Failure to File and Make Payments for Tax Withholdings/Contributions

Internal Revenue Code (IRC) Chapter 26 Sections 3401, 3402, 3403, 3404, 3405, and 3102(a) require the employing government to withhold federal, state, and local income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients. During payroll testing, we noted that subsequent to first quarter 2020, the Township did not file quarterly Tax Forms 941 or state withholding reports, nor did it pay federal or state payroll taxes in 2021 or 2020. Penalties and interest could not be determined. The Township should adopt policies and procedures to ensure that withholding payments and withholding reports are remitted timely, and support should be maintained on file to evidence performance. We further recommend the Fiscal Officer and Township contact the Internal Revenue Service and Ohio Department of Taxation to resolve the outstanding balances owed.

Township Response:

Township officials chose not to respond.

Knox Township
Vinton County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2021 and 2020

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2019-001	Noncompliance – Ohio Revised Code Chapter 133	No	Reissued as Finding 2021-002
Finding 2019-002	Noncompliance Citation – Ohio Revised Code Section 5705.41(D)	No	Reissued as Finding 2021-011
Finding 2019-003	Material Weakness and Finding for Adjustment – Financial Reporting	No	Reissued as Finding 2021-001
Finding 2019-004	Material Weakness – Budgetary Information in UAN	No	Reissued as Finding 2021-004

OHIO AUDITOR OF STATE KEITH FABER



KNOX TOWNSHIP

VINTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/3/2024

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

This report is a matter of public record and is available online at
www.ohioauditor.gov