

428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569



Certified Public Accountants, A.C.

**KNOX TOWNSHIP  
VINTON COUNTY  
Regular Audit**

**For the Years Ended December 31, 2015 and 2014**

[www.perrycpas.com](http://www.perrycpas.com)

*...“bringing more to the table”*

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Board of Trustees  
Knox Township  
72057 Harkins Chapel Road  
Albany, Ohio 45710

We have reviewed the *Independent Auditor's Report* of Knox Township, Vinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 29, 2016

**This page intentionally left blank.**

KNOX TOWNSHIP  
VINTON COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Audit Findings .....	15
Schedule of Prior Audit Findings .....	18

**This page intentionally left blank.**



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

## INDEPENDENT AUDITOR'S REPORT

May 13, 2016

Knox Township  
Vinton County  
72057 Harkins Chapel Rd.  
Albany, Ohio 45710

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 **Knox Township**, Vinton County, (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***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.



***...“bringing more to the table”***

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



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

As described in Note 1B 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, 2015 and 2014, 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 Knox Township, Vinton County as of December 31, 2015 and 2014, 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 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**KNOX TOWNSHIP  
VINTON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 8,868	\$ 19,806	\$ -	\$ 28,674
Intergovernmental	54,787	105,934	-	160,721
Earnings on Investments	87	40	-	127
Miscellaneous	191	2,259	-	2,450
<i>Total Cash Receipts</i>	<u>63,933</u>	<u>128,039</u>	<u>-</u>	<u>191,972</u>
<b>Cash Disbursements</b>				
Current:				
General Government	14,291	42,583	-	56,874
Public Works	-	74,174	-	74,174
Health	-	821	-	821
Capital Outlay	-	200	-	200
Debt Service:				
Principal Retirement	-	16,722	-	16,722
Interest and Fiscal Charges	-	1,154	-	1,154
<i>Total Cash Disbursements</i>	<u>14,291</u>	<u>135,654</u>	<u>-</u>	<u>149,945</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	49,642	(7,615)	-	42,027
<i>Fund Cash Balances, January 1</i>	<u>(9,401)</u>	<u>139,782</u>	<u>283</u>	<u>130,664</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	283	283
Restricted	-	132,167	-	132,167
Unassigned	40,241	-	-	40,241
<i>Fund Cash Balances, December 31</i>	<u>\$ 40,241</u>	<u>\$ 132,167</u>	<u>\$ 283</u>	<u>\$ 172,691</u>

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 9,292	\$ 18,920	\$ -	\$ 28,212
Intergovernmental	11,044	106,708	-	117,752
Earnings on Investments	97	45	-	142
Miscellaneous	976	2,793	-	3,769
<i>Total Cash Receipts</i>	<u>21,409</u>	<u>128,466</u>	<u>-</u>	<u>149,875</u>
<b>Cash Disbursements</b>				
Current:				
General Government	26,547	34,925	-	61,472
Public Safety	-	1,354	-	1,354
Public Works	-	81,890	-	81,890
Health	-	4,646	-	4,646
Capital Outlay	-	14,245	-	14,245
Debt Service:				
Principal Retirement	-	9,556	-	9,556
Interest and Fiscal Charges	-	1,051	-	1,051
<i>Total Cash Disbursements</i>	<u>26,547</u>	<u>147,667</u>	<u>-</u>	<u>174,214</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(5,138)	(19,201)	-	(24,339)
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	-	14,045	-	14,045
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>14,045</u>	<u>-</u>	<u>14,045</u>
<i>Net Change in Fund Cash Balances</i>	(5,138)	(5,156)	-	(10,294)
<i>Fund Cash Balances, January 1 (Restated - See Note 8)</i>	<u>(4,263)</u>	<u>144,938</u>	<u>283</u>	<u>140,958</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	283	283
Restricted	-	139,782	-	139,782
Unassigned	(9,401)	-	-	(9,401)
<i>Fund Cash Balances, December 31</i>	<u>\$ (9,401)</u>	<u>\$ 139,782</u>	<u>\$ 283</u>	<u>\$ 130,664</u>

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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 Knox Township, Vinton 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 Village of Zaleski to provide fire services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

OTARMA – a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”).

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

**B. Accounting Basis**

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

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

**C. Deposits**

All cash assets of the Township are maintained in an interest bearing checking account and savings account.

**D. Fund Accounting**

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

**1. General Fund**

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

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

**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 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 the nonexpendable corpus from a donation 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 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 approve estimated resources.

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

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

A summary of 2015 and 2014 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 classified assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

Assigned funds 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* amount 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.

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Balance (Continued)**

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

**G. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand Deposits	\$172,408	\$130,381
Savings Account	283	283
Total Deposits	\$172,691	\$130,664

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,000	\$ 63,933	\$ 48,933
Special Revenue	125,679	128,039	2,360
Total	\$ 140,679	\$ 191,972	\$ 51,293

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**3. BUDGETARY ACTIVITY (CONTINUED)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 20,078	\$ 14,291	\$ 5,787
Special Revenue	250,983	135,654	115,329
Total	\$ 271,061	\$ 149,945	\$ 121,116

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 15,605	\$ 21,409	\$ 5,804
Special Revenue	126,876	142,511	15,635
Total	\$ 142,481	\$ 163,920	\$ 21,439

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 28,310	\$ 26,547	\$ 1,763
Special Revenue	254,563	147,667	106,896
Total	\$ 282,873	\$ 174,214	\$ 108,659

Contrary to Ohio law, appropriations exceeded estimated resources in the General fund for 2015 and 2014.

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

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**5. DEBT**

Debt outstanding as of December 31, 2015 is as follows:

	<u>Principal</u>
Dump Truck	\$ 18,668
Road Drag	\$ 7,083
Total	<u>\$ 25,751</u>

During 2013, the Township acquired a general obligation note for a term of five years to finance the purchase of a new dump truck for Township road maintenance. The collateral pledged was the new dump truck itself. Payments are made from the Gas Tax fund.

During 2014, the Township acquired a general obligation note for a term of 24 months to finance the purchase of a new road drag for Township road maintenance. The collateral pledged was the new road drag itself. Payments are made from the Gas Tax fund.

Amortization of the above debt is scheduled as follows:

<u>Year Ending December 31:</u>	<u>Dump Truck</u>	<u>Road Drag</u>
2016	\$ 10,607	\$ 3,634
2017	9,723	3,634
Total	<u>\$ 20,330</u>	<u>\$ 7,268</u>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**7. RISK MANAGEMENT**

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

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

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

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**7. RISK MANAGEMENT (CONTINUED)**

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	<u>8,486,363</u>	<u>8,912,432</u>
Net Position	<u>\$26,467,923</u>	<u>\$27,057,831</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$3,592	\$3,630

**KNOX TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**7. RISK MANAGEMENT (CONTINUED)**

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

**8. PRIOR PERIOD RESTATEMENT**

The Township held in a savings account for a cemetery bequest in a Special Revenue Cemetery fund as of December 31, 2013 instead of a Permanent fund. The Township also elected to make the adjustment from their prior audit relating to allocation of payroll expense.

	<b>General</b>	<b>Special Revenue</b>	<b>Permanent Fund</b>
Fund Balance as of December 31, 2013	\$ 8,825	\$ 132,133	\$ -
Cemetery Bequest	-	(283)	283
Prior Period Adjustment	(13,088)	13,088	-
Adjusted Fund Balance as of January 1, 2014	\$ (4,263)	\$ 144,938	\$ 283

**9. CONTINGENT LIABILITIES**

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



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

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

May 13, 2016

Knox Township  
Vinton County  
72057 Harkins Chapel Rd.  
Albany, Ohio 45710

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Knox Township**, Vinton County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 13, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2015-001 a material weakness.



**...“bringing more to the table”**

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2015-002 and 2015-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 13, 2016.

### **Purpose of this Report**

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-001**

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balances**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

During 2015 and 2014, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Homestead rollbacks were recorded as Property and Other Local Taxes instead of Intergovernmental in 2015 and 2014;
- Disbursements for stone, gravel and tires were posted to General Government instead of Public Works in 2015 and 2014;
- Disbursement for audit and UAN fees were posted to the Gasoline Tax fund and Public Works line item instead of the General fund and General Government line item in 2014;
- Debt payments were posted 100% to Interest and Other Fiscal Charges instead of the principal portion to Principal Retirement in 2015 and 2014;
- Debt Proceeds and Capital Outlay for new debt was not properly recorded in 2014;
- The cemetery bequest fund was in the Cemetery fund and classified as Restricted instead of in a Permanent fund and classified as Nonspendable;
- Salary overage repayments were posted to Property and Other Local Taxes and Intergovernmental instead of Miscellaneous in 2015 and 2014;
- Grants from the County were classified as Miscellaneous instead of Intergovernmental in 2015 and 2014;
- Out-of-pocket health insurance reimbursements were not recorded to the appropriate funds in relation to payroll certifications.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

**Management's Response** – We did not receive a response from officials to this finding.

KNOX TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-002

**Noncompliance**

**Debt**

**Ohio Rev. Code §505.262(A)** authorizes a board of township trustees to issue notes of the township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issues shall be pursuant to Revised Code §133.20. Furthermore, The Attorney General opined that Ohio Rev. Code §505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract. [1996 Op. Atty Gen. No. 1996-048]

The Township issued a Promissory Note in the amount of \$14,045 in 2014 that did not meet the requirements of Ohio Rev. Code §133.20.

We recommend the Township Trustees authorize only the issuance of notes pursuant to Ohio Rev. Code §133.20.

**Management's Response** – We did not receive a response from officials to this finding.

FINDING NUMBER 2015-003

**Noncompliance**

**Budgetary Controls**

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.10(I) stating that money paid into any fund shall be used only for the purpose for which such fund is established; as a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund;
- Violations of 5705.39 which states appropriations cannot exceed estimated resources;
- Violations of 5705.41(D) which requires expenditures to have prior certification of availability of funds.

The violation of 5705.10(I) was a result of findings for adjustment in the prior audit which brought the General fund to a negative fund balance of \$4,263 at December 31, 2013 which grew to a negative \$9,401 at December 31, 2014. It also resulted in appropriations exceeding estimated resources in the General fund for both 2015 and 2014. In addition, we determined 19 of 26 expenditures tested for 2014 and 2015 (73%) were not properly encumbered.

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-003 (Continued)**

**Noncompliance (Continued)**

**Budgetary Controls (Continued)**

Although the Board of Trustees approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed and submitted to the County Budget Commission timely.

The Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. If the Board does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item. We also recommend the Board monitor fund balances more accurately to ensure negative fund balances do not occur.

**Management's Response** – We did not receive a response from officials to this finding.

**KNOX TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2013-001	Finding for Adjustment: Payroll Allocations	Yes	N/A
2013-002	Finding for Recovery: Salary Overpayment	Partially Corrected	Moved to Management Letter
2013-003	Finding for Recovery: Health Insurance Reimbursements	Yes	N/A
2013-004	Ohio Rev. Code 505.262(A)	No	Repeated as Finding Number 2015-002
2013-005	Appropriations did not agree to the system	Partially Corrected	Moved to Management Letter
2013-006	Posting of Receipts and Disbursements	No	Repeated as Finding Number 2015-001



# Dave Yost • Auditor of State

**KNOX TOWNSHIP**

**VINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 12, 2016**