

ELK 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
Elk Township
201 West North Street
McArthur, Ohio 45651

We have reviewed the *Independent Auditor's Report* of Elk 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.

Finding for Adjustment – Elk Township, Vinton County

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees. If using the annual salary compensation method, the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in Ohio Revised Code § 505.24(C), and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

In 2021 and 2020, the Trustees did not complete time certifications, therefore, all gross salaries, and related employer contributions should have been paid from the General Fund. During 2020, the Fiscal Officer apportioned the Trustees' salaries and benefits to the General, Gasoline Tax, Road and Bridge, and Cemetery Funds. As a result, the Gasoline Tax, Road and Bridge, and Cemetery Funds were incorrectly charged \$23,604, \$15,111, and \$2,515, respectively, which should have been charged to the General Fund. During 2021, the Fiscal Officer apportioned the Trustees' salaries and benefits to the General, Gasoline Tax, Road and Bridge, and Cemetery Funds. As a result, the Road and Bridge and Cemetery Funds were incorrectly charged \$7,571 and \$4,022, respectively, which should have been charged to the General Fund. The Gasoline Tax Fund was also improperly charged, but when netted against adjustments for expenses that were charged to the General Fund that should have been charged to the Gasoline Tax Fund, the net effect was an amount due from the General Fund to the Gasoline Tax Fund of \$6,679.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Elk Township, Vinton County, General Fund in the amount of \$46,144, and in favor of the Gasoline Tax Fund in the amount of \$16,925, the Road and Bridge Fund in the amount of \$22,682 and the Cemetery Fund in the amount of \$6,537.

Board of Trustees
Elk Township
201 West North Street
McArthur, Ohio 45651
Page -2-

The Township did not have control procedures in place to ensure the Trustees completed the required certifications. Not having procedures in place to ensure proper posting of Trustee compensation could result in material errors to the financial statements, which may go undetected. The Township has not posted these adjustments to the Township records.

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. Elk Township is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

October 03, 2024

Elk Township
Vinton County
Table of Contents
For the Years Ended December 31, 2021 and 2020

Title	Page
Independent Auditor’s Report.....	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2021.....	4
Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type – For the Year Ended December 31, 2021.....	5
Notes to the Financial Statements – For the Year Ended December 31, 2021.....	6
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2020.....	13
Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type – For the Year Ended December 31, 2020.....	14
Notes to the Financial Statements – For the Year Ended December 31, 2020.....	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22
Schedule of Findings and Responses	24
Schedule of Prior Audit Findings.....	34

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Independent Auditor's Report

Board of Trustees
Elk Township
Vinton County
201 W. North Street
McArthur, Ohio 45651

Report on the Audit of the Financial Statements

Unmodified, Qualified and Adverse Opinions

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

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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 Elk 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.

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.

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 audit opinions.

Basis for Additional Opinion Qualification

As noted in prior audits, the Board of Trustees did not comply with requirements concerning Trustee salary allocations and improperly paid salaries and benefits from Special Revenue Funds in 2014, 2013, and 2012. The Board of Trustees also did not comply with these requirements in 2020 or 2021. Due to the impact these audit adjustments would have on the General Fund, the Township declined to make these adjustments.

Had these adjustments been properly posted to the financial statements and the accounting system, for the years ended December 31, 2021 and 2020, the General Fund cash fund balance would have been decreased \$172,623 and \$167,709, respectively, the Gasoline Tax Fund cash fund balance would have increased \$93,359 and \$100,038, respectively, the Road and Bridge Fund cash fund balance would have increased \$72,727 and \$65,156, respectively, and the Cemetery Fund cash fund balance would have increased \$6,537 and \$2,515, respectively.

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.

Emphasis of Matters

As discussed in note 16 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 17 to the financial statements, the Township has suffered recurring losses, and has unposted audit adjustments that will have a significant negative impact the General Fund. Note 17 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.

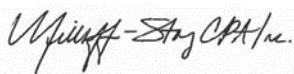
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- 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 July 11, 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
July 11, 2024

Elk 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>		
	General	Special Revenue	Combined Total
Cash Receipts:			
Property and Other Local Taxes	\$31,785	\$212,093	\$243,878
Licenses, Permits, and Fees	0	18,280	18,280
Intergovernmental	16,315	169,286	185,601
Earnings on Investments	131	97	228
Miscellaneous	1,890	12,544	14,434
<i>Total Cash Receipts</i>	50,121	412,300	462,421
Cash Disbursements:			
<i>Current:</i>			
General Government	90,674	0	90,674
Public Safety	0	72,241	72,241
Public Works	0	193,287	193,287
Health	0	54,231	54,231
<i>Debt Service:</i>			
Redemption of Principal	0	8,809	8,809
Interest and Other Fiscal Charges	0	5,929	5,929
<i>Total Cash Disbursements</i>	90,674	334,497	425,171
<i>Excess of Receipts Over (Under) Cash Disbursements</i>	(40,553)	77,803	37,250
Other Financing Receipts (Disbursements):			
Transfers In	0	694	694
Transfers Out	(694)	0	(694)
<i>Total Other Financing Receipts (Disbursements)</i>	(694)	694	0
<i>Net Change in Fund Cash Balances</i>	(41,247)	78,497	37,250
<i>Fund Cash Balances, January 1</i>	63,763	176,132	239,895
<i>Fund Cash Balances, December 31</i>	\$22,516	\$254,629	\$277,145

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

Elk Township
Vinton County
Combined Statement of Additions, Deductions and
Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2021

	<u>Private Purpose Trust</u>
Additions:	
Earnings on Investments (Trust Funds Only)	<u>\$8</u>
<i>Total Additions</i>	<u>8</u>
<i>Net Change in Fund Cash Balances</i>	8
<i>Fund Cash Balances, January 1</i>	<u>10,335</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$10,343</u></u>

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

Elk 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 Elk 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 and cemetery maintenance. The Township contracts with the McArthur Fire Department to provide fire services.

Public Entity Risk Pool

The Township participates in public entity risk pools. Notes 9 and 13 to the financial statements provide additional information for these entities. These organizations are:

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.

CareWorksComp – a Managed Care Organization (MCO) providing a group rating plan for workers compensation.

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, and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

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:

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.

Road and Bridge Fund – This fund accounts for and reports that portion of property tax restricted for maintenance and repair of roads within the Township.

Cemetery Fund – This fund accounts for and reports that portion of property tax restricted for maintenance and repair of the Township cemetery.

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

Fire Levy Fund – This fund accounts for and reports that portion of property tax restricted for the provision of fire protection services to the citizens of the Township.

Fiduciary Funds – Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township’s own programs.

The Township’s private purpose trust fund is for the benefit of individual lots in the cemeteries maintained by Elk 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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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.

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

A summary of 2021 budgetary activity appears in Note 4.

Deposits

All cash assets of the Township are maintained in an interest-bearing checking account and non-negotiable certificates of deposit.

Capital Assets

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

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. 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.

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 14.

Note 3 - Compliance

The Township incurred debt that is not allowable per Ohio Revised Code Chapter 133. Contrary to Ohio law, the Township did not timely adopt its annual appropriation measure. Contrary to Ohio law, the Township did not timely file its annual financial report, nor was the filing deemed to be complete. Contrary to Ohio law, the Township had expenditures in excess of appropriations. Contrary to Ohio law, the Township did not properly encumber funds. Contrary to Ohio law, the Township did not prepare minutes in sufficient detail to allow readers to determine all actions taken during its meetings. Contrary to Ohio law, the Township's Trustees did not maintain a number of original supporting documentation items. Contrary to Ohio law, the Township's Trustees did not prepare supporting documentation to allow for allocation of salaries and benefits to special funds. Contrary to Ohio law, the Township did not maintain copies of minutes for some of the meetings held during and subsequent to the year.

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

Note 4 - Budgetary Activity

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

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,923	\$50,121	\$16,198
Special Revenue	351,009	412,994	61,985
Fiduciary	0	8	8
Total	\$384,932	\$463,123	\$78,191

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,961	\$91,368	(\$25,407)
Special Revenue	295,185	334,497	(39,312)
Fiduciary	10,315	0	10,315
Total	\$371,461	\$425,865	(\$54,404)

Note 5 - Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2021 was as follows:

Demand Deposits	\$283,514
Certificates of Deposit	3,974
Total Deposits	\$287,488

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 financial statement includes 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.

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's employees and officials 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. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during 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.

Risk Pool Membership

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 Township'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

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

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

Note 10 - Debt

Debt outstanding at December 31, 2021 was as follow:

	Principal	Interest Rate
2018 Truck Loan	\$1,394	3.85%
2020 Cemetery Loan	148,837	3.79%
Total	\$150,231	

During 2018, the Township obtained a loan through Vinton County National Bank to finance the purchase of a truck. The truck collateralized the loan. During 2020, the Township obtained a loan through Vinton County National Bank to finance the purchase of property. The loan is unsecured.

Amortization

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

Year Ending December 31:	Truck Loan	Property Loan
2022	\$1,421	\$11,298
2023	0	11,298
2024	0	11,298
2025	0	11,298
2026	0	11,298
2027-2031	0	55,823
2032-2036	0	54,385
2037-2040	0	37,163
Total	\$1,421	\$203,861

Note 11 – Interfund Balances

Outstanding advances at December 31, 2021, consisted of \$3,388 advanced to the Motor Vehicle License Tax fund from the General Fund to provide working capital for operations or projects.

Note 12 – Contingent Liabilities

Grants

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.

Litigation

The Township is not currently party to legal proceedings.

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

Note 13 – Public Entity Risk Pool

The Township participates in the CareWorksComp Group Rating Plan for worker's compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 14 – Fund Balances

The fund balance of special revenue funds is either restricted or committed.

Note 15 – Related Party Transactions

A Township Trustee is the owner of a company from which the Township purchased materials and services for road projects during the year. The Township paid \$6,671 for these purchases in 2021.

The parents of another Township Trustee are the owners of a company from which the Township purchased operating materials and services during the year. The Township paid \$2,604 for these purchases in 2021.

Note 16 – 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 COVID-19 funding in 2021.

Note 17 – Going Concern

At December 31, 2021, the Township's general fund had a fund cash balance of \$22,516. However, the Township has unposted findings for adjustment totaling \$172,623 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 \$150,107. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the general fund.

Elk 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>		
	<u>General</u>	<u>Special Revenue</u>	<u>Combined Total</u>
Cash Receipts:			
Property and Other Local Taxes	\$29,545	\$212,033	\$241,578
Licenses, Permits, and Fees	0	6,490	6,490
Intergovernmental	15,376	150,475	165,851
Earnings on Investments	181	275	456
Miscellaneous	1,324	5,812	7,136
<i>Total Cash Receipts</i>	46,426	375,085	421,511
Cash Disbursements:			
<i>Current:</i>			
General Government	67,398	0	67,398
Public Safety	0	1,477	1,477
Public Works	0	174,448	174,448
Health	0	47,216	47,216
Capital Outlay	0	234,620	234,620
<i>Debt Service:</i>			
Redemption of Principal	0	6,198	6,198
Interest and Other Fiscal Charges	0	3,668	3,668
<i>Total Cash Disbursements</i>	67,398	467,627	535,025
<i>Excess of Receipts Under Disbursements</i>	(20,972)	(92,542)	(113,514)
Other Financing Receipts:			
Other Debt Proceeds	0	157,500	157,500
<i>Total Other Financing Receipts</i>	0	157,500	157,500
Net Changes in Fund Cash Balances	(20,972)	64,958	43,986
Fund Cash Balances, January 1	84,735	111,174	195,909
Fund Cash Balances, December 31	\$63,763	\$176,132	\$239,895

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

Elk Township
Vinton County
Combined Statement of Additions, Deductions and
Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	<u>Private Purpose Trust</u>
Cash Receipts:	
Earnings on Investments (Trust Funds Only)	<u>\$20</u>
<i>Total Additions</i>	<u>20</u>
Net Changes in Fund Cash Balances	20
Fund Cash Balances, January 1	<u>10,315</u>
Fund Cash Balances, December 31	<u><u>\$10,335</u></u>

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

Elk 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 Elk 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 and cemetery maintenance. The Township contracts with the McArthur Fire Department to provide fire services.

Public Entity Risk Pool

The Township participates in public entity risk pools. Notes 9 and 13 to the financial statements provide additional information for these entities. These organizations are:

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.

CareWorksComp – a Managed Care Organization (MCO) providing a group rating plan for workers compensation.

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, and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

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:

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.

Cemetery Fund – This fund accounts for and reports that portion of property tax restricted for maintenance and repair of the Township cemetery.

Fiduciary Funds – Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

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

The Township's private purpose trust fund is for the benefit of individual lots in the cemeteries maintained by Elk 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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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.

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

A summary of 2020 budgetary activity appears in Note 4.

Deposits

All cash assets of the Township are maintained in an interest-bearing checking account and in non-negotiable certificates of deposit.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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.

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 14.

Note 3 - Compliance

The Township incurred debt that is not allowable per Ohio Revised Code Chapter 133. Contrary to Ohio law, the Township did not timely file its annual financial report, nor was the filing deemed to be complete. Contrary to Ohio law, the Township did not properly encumber funds. Contrary to Ohio law, the Township did not prepare minutes in sufficient detail to allow readers to determine all actions taken during its meetings. Contrary to Ohio law, the Township's Trustees did not maintain a number of original supporting documentation items. Contrary to Ohio law, the Township's Trustees did not prepare supporting documentation to allow for allocation of salaries and benefits to special funds. Contrary to Ohio law, the Township did not maintain copies of minutes for some of the meetings held during and subsequent to the year.

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

Note 4 - Budgetary Activity

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

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,770	\$46,426	\$19,656
Special Revenue	505,381	532,585	27,204
Fiduciary	12	20	8
Total	\$532,163	\$579,031	\$46,868

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,045	\$67,398	\$4,647
Special Revenue	582,119	467,627	114,492
Total	\$654,164	\$535,025	\$119,139

Note 5 - Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2020 was as follows:

Demand Deposits	\$246,256
Certificates of Deposit	3,974
Total Deposits	\$250,230

Deposits are insured by the Federal Depository Insurance Corporation.

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 statement includes 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.

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's employees and officials 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. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during 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.

Risk Pool Membership

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 Township'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

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

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

Note 10 - Debt

Debt outstanding at December 31, 2020 was as follow:

	Principal	Interest Rate
2018 Truck Loan	\$4,661	3.85%
2020 Cemetery Loan	154,379	3.79%
Total	\$159,040	

During 2018, the Township obtained a loan through Vinton County National Bank to finance the purchase of a truck. The truck collateralized the loan. During 2020, the Township obtained a loan through Vinton County National Bank to finance the purchase of property. The loan is unsecured.

Amortization

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

Year Ending December 31:	Truck Loan	Property Loan
2021	\$3,440	\$11,298
2022	1,421	11,298
2023	0	11,298
2024	0	11,298
2025	0	11,298
2026-2030	0	56,244
2031-2035	0	54,385
2036-2040	0	48,040
Total	\$4,861	\$215,159

Note 11 – Interfund Balances

Outstanding advances at December 31, 2020, consisted of \$3,388 advanced to the Motor Vehicle License Tax fund from the General Fund to provide working capital for operations or projects.

Note 12 – Contingent Liabilities

Grants

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.

Litigation

The Township is not currently party to legal proceedings.

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

Note 13 – Public Entity Risk Pool

The Township participates in the CareWorksComp Group Rating Plan for worker's compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 14 – Fund Balances

The fund balance of special revenue funds is either restricted or committed.

Note 15 – Related Party Transactions

A Township Trustee is the owner of a company from which the Township purchased materials and services for road projects during the year. The Township paid \$13,652 for these purchases in 2020.

Note 16 – 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 COVID-19 funding in 2020.

Note 17 – Going Concern

At December 31, 2020, the Township's general fund had a fund cash balance of \$63,763. However, the Township has unposted findings for adjustment totaling \$167,709 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 \$103,946. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the general fund.

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
Elk Township
Vinton County
201 W. North Street
McArthur, Ohio 45651

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 Elk Township, Vinton County, Ohio (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 July 11, 2024, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(C) permit. We also qualified our opinion on the fund cash balances of the general fund and special revenue funds because the Township declined to fully adjust its financial statements and accounting records for audit adjustments. 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 may 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, 2021-002, 2021-005, 2021-009 through 2021-012, 2021-015, and 2021-016 that we consider to be material weaknesses.

Elk 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

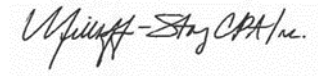
As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2021-003, 2021-004, 2021-006 through 2021-009, 2021-012, 2021-013, and 2021-014.

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 and 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
July 11, 2024

Elk 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 – Manual Financial Statement Presentation

Processes and procedures in place to prevent or detect and correct errors in the financial statements is a pertinent part of a properly functioning internal control environment for financial reporting.

For the years under audit, there were errors in footing and cross footing in the combined and combining statements of the annual report. Some of the footing errors were due to rounding and some errors were due to inaccurate balances carried forward from the Township’s ledgers to the financial statements. In addition, a portion of the Private Purpose Trust Fund’s balance was not recorded in the manual ledgers.

The lack of due care in compiling the financial statements could result in errors or irregularities occurring without being detected in the normal course of business, or on a timely basis. All adjustments and reclassifications were completed and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer exercise due diligence in compiling the financial statements. Further, due care should be taken to ensure that the proper beginning balances are carried forward, rounding is considered and adjusted for in arriving at final totals, and proper totals are carried forward from the manual ledgers to the combining and combined statements. When complete, the statements should be reviewed for accuracy.

Client Response:

The Township chose not to respond.

Finding Number 2021-002

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.

During the course of testing, we noted various misstatements within the financial statements. These misstatements included the following:

- Misclassification of cemetery disbursements as public works and cemetery-related fees and loan proceeds as miscellaneous receipts.
- Misclassification of various disbursement functions.
- Misclassification of grant receipts as miscellaneous receipts.
- Misclassification of property taxes and state distributions, in addition to posting taxes net of fees and, in instances, recording in improper funds.
- Misclassification of debt service payments.
- Misclassification of interest as miscellaneous disbursements in 2020 and failure to allocate a portion of interest earnings to the cemetery trust fund.

Additionally, several changes were required in order to fairly present note disclosures for each year. Lastly, Trustees did not prepare required payroll certifications which resulted in the adjustment of various payroll-related costs from various special funds back to the general fund. The Township has opted not to correct this issue, nor similar issues from prior years, due to adverse effects on the Township’s general fund.

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

Finding Number 2021-002 (Continued)

Material Weakness – Financial Reporting (Continued)

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 note disclosures.

Client Response:

The Township chose not to respond.

Finding Number 2021-003

Noncompliance – Allowable Debt Type

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 incurred new promissory notes and/or made various principal 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.

Client Response:

The Township chose not to respond.

Finding Number 2021-004

Noncompliance – Timely Adoption of Appropriations

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

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

Finding Number 2021-004 (Continued)

Noncompliance – Timely Adoption of Appropriations (Continued)

The Township adopted its 2021 appropriation measure on January 13, 2021, the first meeting of the year; however, expenditures were paid prior to that date. The Township should ensure that appropriations are adopted on or about the first day of the fiscal year and that payments are not made prior to adoption.

Client Response:

The Township chose not to respond.

Finding Number 2021-005

Material Weakness – Budgetary Information Within Accounting System

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not incorporate budgetary information for estimated receipts into its accounting records for either year of audit period. Additionally, appropriations were not incorporated for 2020 and appropriations that were incorporated for 2021 were not always in agreement with formally adopted resolutions filed with the County Auditor. Furthermore, differences were noted between beginning balances of the certificates and the accounting records. Lastly, the Township issued a loan during the audit period that is “deemed appropriated” per Ohio Revised Code Section 5705.42; however, the amounts were not incorporated into the budgets.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers. Further, the Township should ensure that beginning cash balances correctly reconcile to accounting records and, when audit adjustments are recorded, that amended certificates are filed accordingly. Lastly, the Township should ensure that “deemed appropriated” budgetary activity is incorporated in formal budgets to allow for more transparency and to ensure complete information for proper decision-making.

Client Response:

The Township chose not to respond.

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

Finding Number 2021-006

Noncompliance – Timely Filing of Annual Financial Reports

Per Ohio Revised Code Section 117.38, entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Note: Using AOS shell reports will meet this requirement.

Per AOS Bulletin 2015-007, annual reports filed with AOS must be complete to avoid the application of a penalty of \$25 per day (\$750 maximum) permissible under Ohio Revised Code Section 117.38. For AOS Regulatory cash basis to be complete, the applicable basic financial statements include statement(s) or combined statement(s) of receipts, disbursements and changes in fund balance – governmental, proprietary and fiduciary, as applicable and notes to the basic financial statements.

The Township did not its annual financial reports for either year timely per the Ohio Revised Code. Additionally, neither filing was deemed to be complete as note disclosures did not contain any Township-specific information. The Township should adopt proper procedures to ensure that its annual report is filed with the Auditor of State by the required deadline and that the filing is complete as defined by AOS Bulletin 2015-007.

Client Response:

The Township chose not to respond.

Finding Number 2021-007

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. For 2021, the Township had several funds for which expenditures were in excess of appropriations. Additionally, we noted that the Township also had expenditures prior to the adoption of appropriations for that year. The Township should adopt monitoring procedures, such as a comparison of expenditures with appropriations on a monthly basis. When there is an indication that appropriations may not be sufficient to cover obligations, the Township should modify its appropriations measures as appropriate. The Fiscal Officer should deny requests for payment when appropriations are not available. Further, the Township should ensure that appropriations are adopted timely and that payments are not made prior to adoption.

Client Response:

The Township chose not to respond.

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

Finding Number 2021-008

Noncompliance – Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the 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 encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 taxing authority.

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.

3. Super Blanket Certificate – The entity 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.

The Township does not utilize purchase orders nor does it have another method for encumbering funds. The Fiscal Officer should certify the availability of funds prior to the commitment being incurred.

Client Response:

The Township chose not to respond.

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

Finding Number 2021-009

Noncompliance/Material Weakness – Controls Over Meeting Minutes

Ohio Revised Code Section 121.22(H) states that a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized above. During the review of the minute record, we found that the general presentation of the minutes lacked sufficient detail to determine what actions were taken and discussions that were held. Additionally, minutes that were provided were not signed by various officials to indicate the final, approved version of the record of proceedings. The Township should ensure that the minute record is sufficiently detailed to document actions taken by the Board of Trustees and to provide evidence of discussions held in open meetings. Further, the Trustees should ensure that a monitoring process is in place and functioning to ensure minutes contain all required actions of the Board and that the final version of the reviewed and approved minutes are signed and maintained in an organized fashion.

Client Response:

The Township chose not to respond.

Finding Number 2021-010

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. A secondary review is also important in an environment that lacks proper segregation of duties.

During the course of testing, we noted evidence that bank reconciliation procedures were performed by the Fiscal Officer. However, formal bank reconciliations did not appear to have been maintained for most months, nor was there evidence that bank reconciliations are submitted to the Trustees for review and acceptance or approval.

Additionally, the cash journal only accounted for the checking account but did not include certificates of deposit in its running cash balance.

We recommend that the Township Fiscal Officer document bank reconciliations in a formal fashion, for instance, on the provided reconciliation template available on the reverse side of bank statements. Additionally, since segregation of duties is limited due to the small size of the Township, these reconciliations should be presented to the Trustees for review and acceptance or approval and that such acceptance or approval is documented, whether by notation in the minute record or signature on the formal reconciliation documentation. Lastly, the Township should ensure that its cash journal accounts for all cash and investments held by the Township.

Client Response:

The Township chose not to respond.

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

Finding Number 2021-011

Material Weakness – Payroll Controls

Sound payroll controls are the responsibility of the fiscal officer and the Trustees and are essential to ensure the accuracy of payments made to employees and to Federal, State and Local agencies as well as to ensure accurate and timely reporting to Federal, State and Local agencies.

Payroll testing revealed the following conditions:

- Notations of hiring and salary changes carried out by the Trustees could not be located in the minute record.
- Township officials were underpaid based on changes in the budget threshold that were not observed.
- The Township does not utilize a payroll ledger, resulting in a cumbersome process to gather payroll data.
- Trustees do not prepare payroll certifications which are required to allow the Fiscal Officer to allocate payroll-related costs among funds.
- The Township does not maintain master personnel files.
- The Township does not have a method of tracking leave accrual and usage.
- The Township could not provide copies of Tax Forms 941, W2, or W3.

We recommend that the Township review its overall process over payroll transactions and implement processes, procedures, and policies to ensure that documentation is properly maintained, that expenditures and allocation of such expenditures are properly supported, and that a sufficiently detailed audit trail is maintained.

Client Response:

The Township chose not to respond.

Finding Number 2021-012

Noncompliance/Material Weakness – Supporting Documentation

Ohio Revised Code Section 149.351(A) states that all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Township was unable to locate copies of Tax Forms 941, W2, or W3 for either year of the audit period. Additionally, minutes from four meetings in 2020 and one meeting in 2021, in addition to various meetings subsequent to the audit period, could not be located.

Bank statements could not be located for all of 2020 or some of 2021. The bank provided copies of all bank statements requested and of all cancelled check images except for May and June of 2021.

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

Finding Number 2021-012 (Continued)

Noncompliance/Material Weakness – Supporting Documentation (Continued)

During testing of nonpayroll expenditures, we found instances for which original supporting documentation could not be provided. Additionally, the Township could not provide copies of fire contracts. The vendors to which the disbursements were paid and the Village of McArthur attempted to provide copies of invoices and the fire contracts that were utilized for audit testing and, in instances, alternate procedures had to be performed.

During testing of credit card charges, we found one balance from those sampled that could not be supported by a monthly statement and six additional charges that we could agree to monthly statements but for which supporting receipts could not be located.

The Township should ensure that supporting documentation is maintained for all transactions and personnel-related activities. This includes copies of payroll-related tax forms, invoices, credit card charge receipts, contracts, personnel files, minutes, and other documentation that allows the Township to substantiate actions and activities of the Township.

Client Response:

The Township chose not to respond.

Finding Number 2021-013

Noncompliance – Trustee Salary Allocations

Ohio Revised Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-006. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matter related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the Trustees document all time spent on Township business and the type of service performed, in a manner similar to trustees paid per diem compensation.

The Trustees did not prepare payroll certifications for either year of the audit period. During 2020, the Fiscal Officer apportioned the Trustees' salaries and benefits to the General, Gasoline Tax, Road and Bridge, and Cemetery Funds. As a result, the Gasoline Tax, Road and Bridge, and Cemetery Funds were incorrectly charged \$23,604, \$15,111, and \$2,515, respectively, which should have been charged to the General Fund. During 2021, the Fiscal Officer apportioned the Trustees' salaries and benefits to the General, Gasoline Tax, Road and Bridge, and Cemetery Funds. As a result, the Road and Bridge and Cemetery Funds were incorrectly charged \$7,571 and \$4,022, respectively, which should have been charged to the General Fund. The Gasoline Tax Fund was also improperly charged, but when netted against adjustments for expenses that were charged to the General Fund that should have been charged to the Gasoline Tax Fund, the net effect was an amount due from the General Fund to the Gasoline Tax Fund of \$6,679.

We recommend all Trustees' salaries and benefits be paid according to administrative procedures established to document the proportionate amount of trustees' salaries chargeable to other Township funds.

Client Response:

The Township chose not to respond.

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

Finding Number 2021-014

Noncompliance – Missing Meeting Minutes

Ohio Revised Code Section 733.27(A) states that the Fiscal Officer shall attend all meetings of the legislative authority of the Township and keep a record of its proceedings (minutes) and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subject to the inspection of all persons interested. In case of absence of the clerk, such legislative authority shall appoint one of its members to perform the clerk's duties.

Ohio Revised Code Section 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

We noted that the Township did not maintain the original, signed copies of the minutes for various meetings in 2021 and 2020, nor for various meetings held subsequent to the audit period.

The Township should implement the appropriate procedures to ensure that original, signed copies of the minutes are maintained for every meeting held by the Trustees.

Client Response:

The Township chose not to respond.

Finding Number 2021-015

Material Weakness – Old Outstanding Advances

Interfund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary “seed” for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. Interfund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Ohio Revised Code. Advances, on the other hand, temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- The debtor fund may repay advances from the creditor fund. That is, the Auditor of State would not deem repaying advances to violate restrictions on use of the debtor’s fund resources; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
 - A specific statement that the transaction is an advance of cash, and
 - An indication of the money (fund) from which it is expected that repayment will be made.

When a fund ends the year with a negative cash fund balance, it is not appropriate to present an advance on the budgetary statement to eliminate the negative cash balance. Even though, in substance, the government has made an advance, it is not acceptable to “hide” noncompliance by creating an advance not properly authorized by the governing board.

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

Finding Number 2021-015 (Continued)

Material Weakness – Old Outstanding Advances (Continued)

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed retroactively:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see Ohio Revised Code Section 5705.14, 5705.15 and 5705.16);
- The transfers should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

In 2015, the Township advanced \$3,388 from the General Fund to the Motor Vehicle License Tax Fund. This advance was not repaid as of December 31, 2021. We recommend the Township track all outstanding advances and ensure that if not repaid that necessary steps are taken to convert them to transfers if it becomes apparent that repayment will not occur.

Client Response:

The Township chose not to respond.

Finding Number 2021-016

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 included fund balance totals. 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.

Client Response:

The Township chose not to respond.

Elk 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	Material Weakness – Financial Reporting	No	Reissued as Finding 2021-002
Finding 2019-002	Material Weakness – Receipt Journal	Yes	
Finding 2019-003	Material Weakness – Bank Reconciliations	No	Reissued as Finding 2021-010
Finding 2019-004	Material Weakness – Advances	No	Reissued as Finding 2021-015
Finding 2019-005	Material Weakness – Manual Financial Statement Presentation	No	Reissued as Finding 2021-001
Finding 2019-006	Significant Deficiency/Noncompliance – Trustee Salary Allocation	No	Reissued as Finding 2021-013
Finding 2019-007	Significant Deficiency/Noncompliance – Negative Fund Balances	Yes	
Finding 2019-008	Noncompliance – Expenditures Exceeded Appropriations	No	Reissued as Finding 2021-007
Finding 2019-009	Noncompliance – Allowable Debt	No	Reissued as Finding 2021-003

OHIO AUDITOR OF STATE KEITH FABER



ELK 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 10/15/2024

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

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