



**Auditor of State
Betty Montgomery**

ELK TOWNSHIP
NOBLE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Elk Township
Noble County
40814 Crum Ridge Road
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of Elk Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Elk Township, Noble County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Elk Township
Noble County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 7, 2003

**ELK TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$4,871	\$4,059	\$	\$8,930
Intergovernmental	6,832	65,628	1,995	74,455
Special Assessments	1,410			1,410
Earnings on Investments	118	61		179
Other Revenue	50	141		191
	<u>13,281</u>	<u>69,889</u>	<u>1,995</u>	<u>85,165</u>
Cash Disbursements:				
Current:				
General Government	10,075			10,075
Public Safety	550			550
Public Works	704	69,496		70,200
Health	737			737
Debt Service:				
Redemption of Principal			2,778	2,778
Interest and Fiscal Charges			381	381
Capital Outlay		4,112		4,112
	<u>12,066</u>	<u>73,608</u>	<u>3,159</u>	<u>88,833</u>
Total Cash Disbursements	<u>12,066</u>	<u>73,608</u>	<u>3,159</u>	<u>88,833</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,215</u>	<u>(3,719)</u>	<u>(1,164)</u>	<u>(3,668)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		4,112		4,112
Transfers-In		1,410		1,410
Transfers-Out	(1,410)	0	0	(1,410)
	<u>(1,410)</u>	<u>5,522</u>	<u>0</u>	<u>4,112</u>
Total Other Financing Receipts/(Disbursements)	<u>(1,410)</u>	<u>5,522</u>	<u>0</u>	<u>4,112</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(195)	1,803	(1,164)	444
Fund Cash Balances, January 1	<u>3,137</u>	<u>7,833</u>	<u>3,893</u>	<u>14,863</u>
Fund Cash Balances, December 31	<u>\$2,942</u>	<u>\$9,636</u>	<u>\$2,729</u>	<u>\$15,307</u>

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

**ELK TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$4,670	\$3,892	\$	\$	\$8,562
Intergovernmental	10,120	64,274	3,168	18,526	96,088
Earnings on Investments	119	128			247
Other Revenue	1,363	1			1,364
	<u>16,272</u>	<u>68,295</u>	<u>3,168</u>	<u>18,526</u>	<u>106,261</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	11,906				11,906
Public Safety	1,150				1,150
Public Works	1,230	70,392			71,622
Health	943				943
Debt Service:					
Redemption of Principal			2,778		2,778
Interest and Fiscal Charges			492		492
Capital Outlay				18,526	18,526
	<u>15,229</u>	<u>70,392</u>	<u>3,270</u>	<u>18,526</u>	<u>107,417</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,043</u>	<u>(2,097)</u>	<u>(102)</u>	<u>0</u>	<u>(1,156)</u>
Fund Cash Balances, January 1	<u>2,094</u>	<u>9,930</u>	<u>3,995</u>	<u>0</u>	<u>16,019</u>
Fund Cash Balances, December 31	<u>\$3,137</u>	<u>\$7,833</u>	<u>\$3,893</u>	<u>\$0</u>	<u>\$14,863</u>

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

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Elk Township, Noble County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance (public works), cemetery maintenance (health), and fire protection services (public safety). The Township contracts with Bethel and Salem Township Volunteer Fire Department to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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 and bridges.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for maintaining Township roads.

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund – This fund receives gasoline tax monies to pay for debt incurred from the purchase of road equipment.

4. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund – This fund received a grant from the State of Ohio through the Noble County Engineer's office for a culvert project.

D. 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$15,307	\$14,863

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,350	\$13,281	\$1,931
Special Revenue	69,600	75,411	5,811
Debt Service	1,995	1,995	0
Total	\$82,945	\$90,687	\$7,742

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,777	\$13,476	(\$699)
Special Revenue	75,776	73,608	2,168
Debt Service	5,889	3,159	2,730
Total	\$94,442	\$90,243	\$4,199

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,465	\$16,272	\$807
Special Revenue	66,168	68,295	2,127
Debt Service	3,168	3,168	0
Capital Projects	0	18,526	18,526
Total	\$84,801	\$106,261	\$21,460

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,932	\$15,229	(\$1,297)
Special Revenue	75,654	70,392	5,262
Debt Service	7,164	3,270	3,894
Capital Projects	0	18,526	(18,526)
Total	\$96,750	\$107,417	(\$10,667)

At December 31, 2001, the Township had expenditures which exceeded appropriations in the Capital Project Fund – Issue II and the General Fund, contrary to Ohio Rev. Code Section 5705.41(B).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Promissory Note - Grader	\$2,778	6.00%
General Obligation Note - Loader	4,112	4.65%
Total	\$6,890	

The general obligation notes were issued to finance the purchase of a Case loader to be used for the Township road maintenance. These notes are collateralized by the full faith and credit of the Township. The promissory notes were issued to finance the purchase of a Grader. These notes are collateralized by the equipment.

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

	Promissory Notes	General Obligation Notes
Year ending December 31:		
2003	\$2,944	\$1,193
2004		1,193
2005		1,193
2006		1,257
Total	\$2,944	\$4,836

6. RETIREMENT SYSTEMS

The Township's part-time employees, as well as the Trustees and Clerk, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year.

Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Elk Township
Noble County
40814 Crum Ridge Road
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of Elk Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 7, 2003.

Elk Township
Noble County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 7, 2003

**ELK TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.09 states, in part, each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be for a particular purpose.

During the audit period, the Township did not establish a capital project fund for Issue II monies spent on their behalf by the Noble County Engineer's office. The Township did not record this financial activity on their accounting records.

We recommend the Township create an Issue II Fund, Capital Project Fund type, and memo entry the Issue II monies received from Ohio Public Works Commission spent on their behalf by the Noble County Engineer. The Township should also budget and appropriate for these moneys. The Clerk should refer to Auditor of State Audit Bulletins 2002-004 and 2000-008 for descriptions of proper accounting of this fund. The financial statements have been adjusted to reflect this activity.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been properly appropriated.

The General Fund had expenditures in excess of appropriations in the amount of \$1,297 and the Capital Projects Fund-Issue II had expenditures in excess of appropriations in the amount of \$18,526 for 2001. The General Fund had expenditures in excess of appropriations in the amount of \$699 for 2002.

We recommend the Clerk deny payment request exceeding appropriations. The Clerk may request the Board to approve increased expenditures levels by increasing appropriations and estimated resources, if necessary.

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**ELK TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-41061-001	Ohio Rev. Code Section 5705.10 – The Township had a negative fund balance in the FEMA Fund in 1999.	Finding No Longer Valid	This finding is no longer valid the Township did not receive any FEMA money in 2001 or 2002.
2000-41061-002	Ohio Rev. Code Section 5705.41(B) – The Township had funds in which expenditures exceeded appropriations.	No	Not Corrected, Finding reissued.



**Auditor of State
Betty Montgomery**

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ELK TOWNSHIP

NOBLE 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
JUNE 19, 2003**