



Dave Yost • Auditor of State

ELK TOWNSHIP
NOBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Elk Township, Noble County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Elk Township, Noble County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 5, 2015

**ELK TOWNSHIP
NOBLE COUNTY**

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

| | General | Special Revenue | Debt Service | Totals (Memorandum Only) |
|--|-----------------|--------------------|-----------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$29,569 | \$0 | \$0 | \$29,569 |
| Intergovernmental | 5,622 | 99,474 | 3,600 | 108,696 |
| Earnings on Investments | 16 | 13 | 0 | 29 |
| Miscellaneous | 6,604 | 0 | 0 | 6,604 |
| <i>Total Cash Receipts</i> | <u>41,811</u> | <u>99,487</u> | <u>3,600</u> | <u>144,898</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 20,530 | 0 | 0 | 20,530 |
| Public Safety | 600 | 0 | 0 | 600 |
| Public Works | 11,338 | 105,935 | 0 | 117,273 |
| Health | 2,540 | 0 | 0 | 2,540 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 2,923 | 2,923 |
| Interest and Fiscal Charges | 0 | 0 | 427 | 427 |
| <i>Total Cash Disbursements</i> | <u>35,008</u> | <u>105,935</u> | <u>3,350</u> | <u>144,293</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>6,803</u> | <u>(6,448)</u> | <u>250</u> | <u>605</u> |
| <i>Fund Cash Balances, January 1</i> | <u>12,344</u> | <u>23,686</u> | <u>1,797</u> | <u>37,827</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 17,238 | 2,047 | 19,285 |
| Assigned | 12,359 | 0 | 0 | 12,359 |
| Unassigned | 6,788 | 0 | 0 | 6,788 |
| <i>Fund Cash Balances, December 31</i> | <u>\$19,147</u> | <u>\$17,238</u> | <u>\$2,047</u> | <u>\$38,432</u> |

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

**ELK TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|--|-----------------|--------------------|-----------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$26,451 | \$0 | \$0 | \$0 | \$26,451 |
| Intergovernmental | 9,427 | 98,123 | 3,600 | 20,386 | 131,536 |
| Earnings on Investments | 9 | 16 | 0 | 0 | 25 |
| Miscellaneous | 603 | 0 | 0 | 0 | 603 |
| <i>Total Cash Receipts</i> | <u>36,490</u> | <u>98,139</u> | <u>3,600</u> | <u>20,386</u> | <u>158,615</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 20,997 | 0 | 0 | 0 | 20,997 |
| Public Safety | 827 | 0 | 0 | 0 | 827 |
| Public Works | 11,375 | 104,277 | 0 | 0 | 115,652 |
| Health | 2,708 | 0 | 0 | 0 | 2,708 |
| Capital Outlay | 0 | 0 | 0 | 20,386 | 20,386 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 3,232 | 0 | 3,232 |
| Interest and Fiscal Charges | 0 | 0 | 294 | 0 | 294 |
| <i>Total Cash Disbursements</i> | <u>35,907</u> | <u>104,277</u> | <u>3,526</u> | <u>20,386</u> | <u>164,096</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>583</u> | <u>(6,138)</u> | <u>74</u> | <u>0</u> | <u>(5,481)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>11,761</u> | <u>29,824</u> | <u>1,723</u> | <u>0</u> | <u>43,308</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | 0 | 23,686 | 0 | 0 | 23,686 |
| Assigned | 6,762 | 0 | 0 | 0 | 6,762 |
| Unassigned | 5,582 | 0 | 1,797 | 0 | 7,379 |
| <i>Fund Cash Balances, December 31</i> | <u>\$12,344</u> | <u>\$23,686</u> | <u>\$1,797</u> | <u>\$0</u> | <u>\$37,827</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, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Elk Township, Noble County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Bethel Volunteer Fire Department Company to provide fire protection and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117-38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Township has an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

2. Estimated Resources

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

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 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. 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.

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

G. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

| | | |
|-----------------|-----------------|-----------------|
| | 2014 | 2013 |
| Demand deposits | <u>\$38,432</u> | <u>\$37,827</u> |

Deposits are insured by the Federal Deposit Insurance Corporation.

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$35,547 | \$41,811 | (\$6,264) |
| Special Revenue | 101,710 | 99,487 | 2,223 |
| Debt Service | 3,600 | 3,600 | 0 |
| Total | \$140,857 | \$144,898 | (\$4,041) |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$42,309 | \$35,008 | \$7,301 |
| Special Revenue | 123,427 | 105,935 | 17,492 |
| Debt Service | 5,397 | 3,350 | 2,047 |
| Total | \$171,133 | \$144,293 | \$26,840 |

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------|
| General | \$30,350 | \$36,490 | (\$6,140) |
| Special Revenue | 97,905 | 98,139 | (234) |
| Debt Service | 3,600 | 3,600 | 0 |
| Capital Projects | 0 | 20,386 | 20,386 |
| Total | \$131,855 | \$158,615 | \$14,012 |

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$42,068 | \$35,907 | \$6,161 |
| Special Revenue | 127,202 | 104,277 | 22,925 |
| Debt Service | 4,600 | 3,526 | 1,074 |
| Capital Projects | 0 | 20,386 | (20,386) |
| Total | \$173,870 | \$164,096 | \$9,774 |

Contrary to Ohio Rev. Code §§5705.42 and 5705.36(A)(3) and AOS Bulletin 2002-004, 2013 OPWC grant proceeds were not recorded on the Township's ledgers.

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. PROPERTY TAX

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

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.

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

| | | |
|-----------------|------------------|----------------------|
| | <u>Principal</u> | <u>Interest Rate</u> |
| Promissory Note | <u>\$798</u> | 4.75% |

The Township signed a promissory note to finance the purchase of a John Deere tractor and front end loader for Township road maintenance. The Township's taxing authority collateralized the note.

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

| | |
|--------------------------|--------------|
| | Promissory |
| Year ending December 31: | <u>Note</u> |
| 2015 | <u>\$827</u> |

6. 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. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

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

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

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

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

Casualty and Property Coverage

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

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

Financial Position

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

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

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

**ELK TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

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

| <u>Contributions to OTARMA</u> | |
|---------------------------------------|--------------------|
| <u>2013</u> | <u>2014</u> |
| \$2,684 | \$2,686 |

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

The Township also provides life and accidental death and dismemberment coverage to elected officials through private carriers and insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Elk Township, Noble County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2014-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-002.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y". To the left of the signature, there are two small, vertically aligned symbols that look like the letter "A" with a dot above them.

Dave Yost
Auditor of State
Columbus, Ohio

November 5, 2015

**ELK TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.42 provides that Federal and State grants or loans are “deemed appropriated for the purpose for which such bond was issued by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

Ohio Rev. Code § 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

AOS Bulletin 2002-004 provides guidance for cash basis accounting for infrastructure projects funded through the Ohio Public Works Commission (OPWC). All local governments participating in Issue 2 Funds shall establish a capital projects fund to account for both the Issue 2 monies and local matching funds. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received benefit from the project.

During 2013, grant proceeds in the amount of \$20,386 from the Ohio Public Works Commission (OPWC) for the Issue 2 grant were disbursed directly from OPWC to the applicable contractor. The Township did not record the revenue and expenditure on its books nor did it obtain an amended certificate for the new amounts of revenue and therefore these estimated receipts were not recorded to their budgetary accounting system. This resulted in revenues in excess of estimated receipts in the Township's budgetary accounting system in the Issue 2 Fund in the amounts of \$20,386.

When “on-behalf-of” disbursements are made, the Township should post the revenue and expenditures to its book and obtain an amended certificate from the budget commission. If the budget commission certifies an amended official certificate, then the Township should amend budgeted receipts in their budgetary accounting system. The appropriations are deemed appropriated up to the amount being spent during the calendar year.

FINDING NUMBER 2014-002

Noncompliance Citation

26 U.S.C. § 3403 states, in part, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

The payroll records indicated Medicare and federal income taxes were withheld from the employees' and officials' gross pay, but the amounts withheld, along with any employer matches were not remitted as required, in a timely manner. During 2013, employee amounts were withheld from employee checks and posted to accounting system but the 2013 calendar year employee and employer shares were not remitted until January 2014. This caused additional penalties and interest of \$448.26 to be incurred by the Township. Also, at December 31, 2014, all four quarters of federal withholding had been withheld from employee payrolls but the employee and employer shares for all of 2014 had not been remitted to the Internal Revenue Service. The 2014 federal withholding amounts were remitted in 2015.

**ELK TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

| |
|---|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p> |
|---|

FINDING NUMBER 2014-002 (Continued)

The Village Fiscal Officer should remit federal income taxes withheld on a timely basis. Additionally, the Village Fiscal Officer should maintain documentation concerning the remittance of federal income taxes as well as the required reports.

Officials' Response: Management declined to respond to any of the aforementioned findings.



Dave Yost • Auditor of State

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
DECEMBER 1, 2015**