



Certified Public Accountants, A.C.

**ELK TOWNSHIP  
VINTON COUNTY  
Regular Audit  
For the Years Ended December 31, 2017 and 2016**

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# Dave Yost • Auditor of State

Township Trustees  
Elk Township  
64519 King Road  
McArthur, Ohio 45651

We have reviewed the *Independent Auditor's Report* of Elk Township, Vinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Ohio Rev. Code § 505.24(A) states that each township trustee is entitled to a set compensation for each day of service in the business of the township, to be paid from the township treasury. Township trustees' salaries are limited to two hundred (200) days annually. The amount of compensation for fiscal year 2017 was set at the daily rate of \$46.80 or \$9,360, annually.

During 2017, Mr. Scarberry was still in his term that began in 2014; therefore, he was not eligible for the new rate. Mr. Scarberry's compensation for the year should have been \$8,490. Mr. Scarberry was paid \$849 per month for a total of \$10,188. This resulted in an overpayment of \$1,698. However, it was noted in the prior audit period of January 1, 2015 through December 31, 2015, Mr. Scarberry was undercompensated \$1,158. Evidence did not exist to support the Township passed a motion or resolution to compensate Mr. Scarberry the \$1,158 shortage. As a result, the net effect of the prior underpayment totaling \$1,158 and the overpayment totaling \$1,698, Mr. Scarberry was overcompensated \$540.

Also, on August 30, 2017, Trustee Knox was appointed to fill the unexpired term of Terry Walker. Mr. Knox did not begin his Trustee duties until November 2017. For November and December 2017, Mr. Knox was compensated \$936 monthly for a total of \$1,872. Mr. Knox's compensation for those two months should have been based on the 2017 rate of \$1,560 (\$9,360 x 2/12). This resulted in an overpayment totaling \$312.

Lastly, during 2017, Trustee Robinette was still in his term that began in 2014; therefore, he was not eligible for the new rate. Mr. Robinette's compensation for the year should have been \$8,490. Mr. Robinette was paid \$849 per month for a total of \$10,188. This resulted in an overpayment of \$1,698. However, it was noted in the prior audit period of January 1, 2015 through December 31, 2015, Mr. Robinette was undercompensated \$1,158. Evidence did not exist to support the Township passed a motion or resolution to compensate Mr. Robinette the

Township Trustees  
Elk Township  
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\$1,158 shortage. As a result, the net effect of the prior underpayment totaling \$1,158 and the overpayment totaling \$1,698, Mr. Robinette was overcompensated \$540.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Scarberry, Mr. Knox and Mr. Robinette in the amounts of \$540, \$312 and \$540, respectively, and in favor of Elk Township, Vinton County's General Fund, Gasoline Tax Fund and the Road Fund.

Additionally, under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code § 9.39; State ex-rel. Village of Linndale v. Masten, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

The Fiscal Officer signed the warrants resulting in improper payments. As a result, Marsha Collins, Fiscal Officer and her bonding company Ohio Township Association Risk Management Authority are jointly and severally liable in the amount of \$1,392 and in favor of Elk Township, Vinton County's General Fund, Gasoline Tax Fund and Road Fund.

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.



Dave Yost  
Auditor of State

October 29, 2018

ELK TOWNSHIP  
VINTON COUNTY

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## INDEPENDENT AUDITOR'S REPORT

July 20, 2018

Elk Township  
Vinton County  
64519 King Road  
McArthur, Ohio 45651

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Elk Township**, Vinton County, (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinions on this accounting basis are in the *Qualified Opinion on the General and Special Revenue Funds* and the *Unmodified Opinion* paragraphs 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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on the General and Special Revenue Funds***

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

Had the adjustments noted in the previous audit reports been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased \$126,479, the Gasoline Tax Fund cash fund balance would have increased \$76,434, and the Road and Bridge Fund cash fund balance would have increased \$50,045.

***Qualified Opinion on the General and Special Revenue Funds***

In our opinion, except for the effects of the matter discussed in the *Basis for Qualified Opinion on the General and Special Revenue Funds* paragraphs, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General and Special Revenue Funds of Elk Township, Vinton County as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Fiduciary Fund Type of Elk Township, Vinton County as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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

**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, 2017**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 23,641	\$ 190,939	\$ 214,580
Intergovernmental	18,403	114,301	132,704
Earnings on Investments	121	453	574
Miscellaneous	472	6,904	7,376
<i>Total Cash Receipts</i>	<u>42,637</u>	<u>312,597</u>	<u>355,234</u>
<b>Cash Disbursements</b>			
Current:			
General Government	30,038	-	30,038
Public Safety	-	31,932	31,932
Public Works	-	179,432	179,432
Health	531	81,441	81,972
Debt Service:			
Principal Retirement	3,275	10,930	14,205
Interest and Fiscal Charges	269	1,206	1,475
<i>Total Cash Disbursements</i>	<u>34,113</u>	<u>304,941</u>	<u>339,054</u>
<i>Net Change in Fund Cash Balances</i>	8,524	7,656	16,180
<i>Fund Cash Balances, January 1</i>	<u>42,227</u>	<u>96,082</u>	<u>138,309</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	103,738	103,738
Assigned	28,407	-	28,407
Unassigned	22,344	-	22,344
<i>Fund Cash Balances, December 31</i>	<u>\$ 50,751</u>	<u>\$ 103,738</u>	<u>\$ 154,489</u>

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

ELK TOWNSHIP  
VINTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments	<u>\$ 8</u>
<i>Total Operating Cash Receipts</i>	<u>8</u>
<i>Operating Income</i>	<u>8</u>
<i>Net Change in Fund Cash Balances</i>	8
<i>Fund Cash Balances, January 1</i>	<u>10,287</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 10,295</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, 2017*

**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 7 and 12 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 (“Members”).

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 receipts, disbursements 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*** The gasoline tax 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*** The road and bridge fund accounts for and reports that portion of property tax restricted for maintenance and repair of roads within the Township.

***Cemetery Fund*** The cemetery 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, 2017*  
*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***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 (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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) 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 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 carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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*. 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.

***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.

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,455	\$ 42,637	\$ 18,182
Special Revenue	268,987	312,597	43,610
Fiduciary	8	8	-
Total	\$ 293,450	\$ 355,242	\$ 61,792

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 34,542	\$ 34,113	\$ 429
Special Revenue	305,166	304,941	225
Fiduciary	-	-	-
Total	\$ 339,708	\$ 339,054	\$ 654

**Note 4 – 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 was as follows:

	2017
Demand deposits	\$ 160,810
Certificates of deposit	3,974
Total deposits	\$ 164,784

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation.

**Note 5 – 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 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.

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 6 – Interfund Balances**

Outstanding advances at December 31, 2017, 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 7 - Risk Management**

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

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

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

***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, 2017, 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, 2017.

	<b>2017</b>
Assets	\$ 40,010,732
Liabilities	8,675,465
Net Position	\$ 31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.



**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
(Continued)

**Note 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.

<b>2017 Contributions to OTARMA</b>
\$4,772

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.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 9 – 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 the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 10 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Promissory Note (Truck)	\$ 10,632	3.75%
Promissory Note (Mower)	13,631	3.19%
Total	\$ 24,263	

The Township had two promissory notes outstanding; one for the purchase of a truck with two years remaining in the amount of \$10,632, and one for the purchase of a mower with two years remaining in the amount of \$13,631. In 2017, debt payments were made from the General, Gasoline Tax, Road and Bridge, and Cemetery Funds.

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 10 – Debt (Continued)**

***Amortization***

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

<u>Year Ending December 31:</u>	<u>Promissory Note (Truck)</u>	<u>Promissory Note (Mower)</u>
2018	\$ 5,556	\$ 7,089
2019	5,550	7,092
Total	<u>\$ 11,106</u>	<u>\$ 14,181</u>

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. 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.

**Note 12 – 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.

**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, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 19,859	\$ 172,396	\$ 192,255
Intergovernmental	67,892	115,906	183,798
Earnings on Investments	59	80	139
Miscellaneous	401	18,490	18,891
<i>Total Cash Receipts</i>	<u>88,211</u>	<u>306,872</u>	<u>395,083</u>
<b>Cash Disbursements</b>			
Current:			
General Government	56,109	-	56,109
Public Safety	-	29,031	29,031
Public Works	-	142,532	142,532
Health	517	72,552	73,069
Debt Service:			
Principal Retirement	-	16,942	16,942
Interest and Fiscal Charges	-	1,694	1,694
<i>Total Cash Disbursements</i>	<u>56,626</u>	<u>262,751</u>	<u>319,377</u>
<i>Net Change in Fund Cash Balances</i>	31,585	44,121	75,706
<i>Fund Cash Balances, January 1</i>	<u>10,642</u>	<u>51,961</u>	<u>62,603</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	96,082	96,082
Assigned	10,087	-	10,087
Unassigned	32,140	-	32,140
<i>Fund Cash Balances, December 31</i>	<u>\$ 42,227</u>	<u>\$ 96,082</u>	<u>\$ 138,309</u>

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

ELK TOWNSHIP  
VINTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments	<u>\$ 8</u>
<i>Total Operating Cash Receipts</i>	<u>8</u>
<i>Operating Income</i>	<u>8</u>
<i>Net Change in Fund Cash Balances</i>	8
<i>Fund Cash Balances, January 1</i>	<u>10,279</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 10,287</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, 2016*

**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 8 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 (“Members”).

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 receipts, disbursements 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*** The gasoline tax 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*** The road and bridge fund accounts for and reports that portion of property tax restricted for maintenance and repair of roads within the Township.

***Cemetery Fund*** The cemetery 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, 2016*  
*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***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 (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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) 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 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 carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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*. 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.

***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.

**Note 3 – Compliance**

Contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$25,386 for the year ended December 31, 2016.

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,597	\$ 88,211	\$ 67,614
Special Revenue	266,702	306,872	40,170
Fiduciary	8	8	-
Total	\$ 287,307	\$ 395,091	\$ 107,784

  

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,626	\$ 56,626	\$ -
Special Revenue	279,193	262,751	16,442
Fiduciary	-	-	-
Total	\$ 335,819	\$ 319,377	\$ 16,442

**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 was as follows:

	2016
Demand deposits	\$ 144,622
Certificates of deposit	3,974
Total deposits	\$ 148,596

**Deposits**

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 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.



**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 7 – Interfund Balances**

Outstanding advances at December 31, 2016, 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 8 - Risk Management**

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

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

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

***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, 2016, 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, 2016.

	<b>2016</b>
Assets	\$ 38,473,283
Liabilities	8,244,140
Net Position	\$ 30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
(Continued)

**Note 8 - 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.

<b>2016 Contributions to OTARMA</b>
\$4,847

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.

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 10 – 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 the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 11 – Debt**

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Promissory Note (Truck)	\$ 15,719	3.75%
Promissory Note (Tractor)	2,618	3.85%
Promissory Note (Mower)	20,131	3.19%
Total	\$ 38,468	

**ELK TOWNSHIP**  
**VINTON COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 11 – Debt (Continued)**

The Township had three promissory notes outstanding; one for the purchase of a truck with three years remaining in the amount of \$15,719, one for the purchase of a tractor with one year remaining in the amount of \$2,618, and one for the purchase of a mower with three years remaining in the amount of \$20,131. In 2016, debt payments were made from the Gasoline Tax, Road and Bridge, and Cemetery Funds.

***Amortization***

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

Year Ending December 31:	Promissory Note (Truck)	Promissory Note (Tractor)	Promissory Note (Mower)
2017	\$ 5,556	\$ 3,036	\$ 7,089
2018	5,556	-	7,089
2019	5,550	-	7,092
Total	\$ 16,662	\$ 3,036	\$ 21,270

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. 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.

**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.

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Certified Public Accountants, A.C.

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

July 20, 2018

Elk Township  
Vinton County  
64519 King Road  
McArthur, Ohio 45651

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 the cash balances, receipts, and disbursements by fund type of **Elk Township**, Vinton County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 20, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on the General and Special Revenue Fund types for 2017 and 2016 due to the Township not making a \$126,479 audit adjustment against the General Fund and increasing the fund balance of the Gasoline Tax Fund in the amount of \$76,434 and increasing the Road and Bridge Fund cash balance by \$50,045.

**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 deficiencies in internal control 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 audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

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 a 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. We consider findings 2017-001 through 2017-003 described in the accompanying schedule of audit findings to be material weaknesses.

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### **Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-004 and 2017-005 described in the accompanying schedule of audit findings to be significant deficiencies.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2017-002 through 2017-003 and 2017-006 through 2017-008.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 20, 2018.

### **Purpose of this Report**

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



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

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balance Classification**

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- One Local Government receipt was classified as Intergovernmental in the Motor Vehicle License Tax Fund instead of Intergovernmental in the General Fund in 2016;
- A receipt and corresponding disbursement were posted to the Cemetery and Private Purpose Trust Funds, respectively, in 2017. This transaction was not allowable and has been subsequently reversed;
- Trustee payroll disbursements were not allocated in accordance with the payroll certifications. Adjustments were necessary between the General, Gasoline Tax, and Road and Bridge Funds in 2017 and 2016;
- Principal and interest amounts were not allocated correctly in the Gasoline Tax, Road and Bridge, and Cemetery Funds in 2017;
- A voided check was not properly removed from disbursements in the Fire Fund in 2017;
- Trivial fund balance adjustments were necessary to agree the Cemetery and Private Purpose Trust Funds balances to the prior year audited balances in 2016;
- Receipt activity and fund balances were removed from the financial statements for the Permanent Fund as these amounts were included in the balance of the Private Purpose Trust Fund in 2017 and 2016;
- The General Fund balance was classified entirely as Unassigned when a portion should have been Assigned in 2017; and
- The General Fund balance was classified entirely as Assigned when a portion should have been Unassigned in 2016.

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

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

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

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

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002

**Material Weakness/Noncompliance**

**Ohio Rev. Code § 505.24(A) and (B) and 507.09** set forth the maximum amounts of compensation for Township Trustees and the Fiscal Officer based on a Township's annual budget amount.

The Township's annual budget for 2017 and 2016 fell between \$250,000.01 - \$500,000. Based on this budget amount, Ohio Rev. Code § 505.24(A) and (B) limit the annual salary of the Trustees to \$9,360 and \$8,914, respectively, for Trustees elected or appointed after September 29, 2015 and \$8,490 for Trustees elected or appointed before September 29, 2015. The Township, however, did not pay the Trustees in accordance with the Ohio Rev. Code.

Ohio Rev. Code § 507.09 limits the annual salary of the Fiscal Officer to \$14,039 and \$13,370, respectively, for Fiscal Officers elected or appointed after September 29, 2015 and \$12,733 for Fiscal Officers elected or appointed before September 29, 2015. The Township, however, did not pay the Fiscal Officer in accordance with the Ohio Rev. Code.

During 2017, Trustee Robinette was still in his term that began in 2014; therefore, he was not eligible for the new rate. Mr. Robinette's compensation for the year should have been \$8,490. Mr. Robinette was paid \$849 per month for a total of \$10,188. This resulted in an overpayment of \$1,698. However, it was noted in the prior audit period of January 1, 2014 through December 31, 2015, Mr. Robinette was undercompensated \$1,158. Evidence did not exist to support the Township passed a motion or resolution to compensate Mr. Robinette the \$1,158 shortage. As a result, the net effect of the prior underpayment totaling \$1,158 and the overpayment totaling \$1,698, Mr. Robinette was overcompensated \$540.

During 2017, Trustee Scarberry was still in his term that began in 2014; therefore, he was not eligible for the new rate. Mr. Scarberry's compensation for the year should have been \$8,490. Mr. Scarberry was paid \$849 per month for a total of \$10,188. This resulted in an overpayment of \$1,698. However, it was noted in the prior audit period of January 1, 2014 through December 31, 2015, Mr. Scarberry was undercompensated \$1,158. Evidence did not exist to support the Township passed a motion or resolution to compensate Mr. Scarberry the \$1,158 shortage. As a result, the net effect of the prior underpayment totaling \$1,158 and the overpayment totaling \$1,698, Mr. Scarberry was overcompensated \$540.

During 2017, Trustee Walker was in his term that began in 2016; therefore, he was eligible for the new rate. Mr. Walker passed away during the year and was compensated for 8 months. Mr. Walker's compensation for these 8 months should have been \$6,240. Mr. Walker was paid \$936 per month for a total of \$7,488. This resulted in an overpayment of \$1,248. However, it was noted in the prior audit period of January 1, 2014 through December 31, 2015, Mr. Walker was undercompensated \$1,158. Evidence did not exist to support the Township passed a motion or resolution to compensate Mr. Walker the \$1,158 shortage. Also, in 2016, Mr. Walker was eligible for the new rate, but was paid at the 2008 rate for the entire year. Mr. Walker's compensation for the year should have been \$8,914. Mr. Walker was paid \$707.50 per month for a total of \$8,490. This resulted in an underpayment of \$424. As a result, the net effect of the prior underpayment totaling \$1,158, the 2016 underpayment totaling \$424, and the overpayment totaling \$1,248, Mr. Walker was undercompensated \$334.



ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002 (Continued)

Material Weakness/Noncompliance (Continued)

Ohio Rev. Code § 505.24(A) and (B) and 507.09 (Continued)

On August 30, 2017, Trustee Knox was appointed to fill the unexpired term of Terry Walker. Mr. Knox did not begin his Trustee duties until November 2017. For November and December 2017, Mr. Knox was compensated \$936 monthly for a total of \$1,872. Mr. Knox's compensation for those two months should have been based on the 2017 rate of \$1,560 (\$9,360 x 2/12). This resulted in an overpayment totaling \$312.

During 2016, Fiscal Officer Collins was in her term that began in April of 2016; therefore, she was eligible for the new rate. Ms. Collins's compensation for the year should have been \$13,211. Ms. Collins was paid \$1061.08 per month for a total of \$12,733. This resulted in an underpayment of \$478.

We recommend that the Township compare compensation amounts to the applicable Ohio Rev. Code to determine the allowable amount of compensation for each year based on the Township budget.

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

FINDING NUMBER 2017-003

Material Weakness/Noncompliance

**Ohio Revised Code § 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.

During 2017 and 2016, the Fiscal Officer apportioned the Trustees' salaries to the General, Gasoline Tax, and Road and Bridge Funds. The amounts charged did not agree to the payroll certifications that were prepared. As a result, the Road and Bridge Fund was incorrectly charged \$3,409, of which \$3,082 and \$327 should have been charged to the General and Gasoline Tax Funds, respectively, in 2017. In 2016, the Gasoline Tax and Road and Bridge Funds were incorrectly charged \$6,368 and \$19,018, respectively, of which \$25,386 should have been charged to the General Fund.

As a result, adjustments were made in order to fairly present the annual financial statements. The financial statements reflect these adjustments and all adjustments have been made to the Township's accounting system.

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

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

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004

**Significant Deficiency**

**Advances**

Inter-fund 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. Inter-fund 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, it is not appropriate to present and *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 government.

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 through December 31, 2017.

We recommend the Township track all outstanding advances and ensure that if they are not repaid that they take the necessary steps to convert them to transfers if it becomes apparent that repayment will not occur. We also recommend that the Township Trustees approve all advances before they occur.

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

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-005

**Significant Deficiency**

**Manual Financial Statement Presentation**

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. This portion accounts for the balance of three certificates of deposit and one savings account. We noted the savings account was closed in 2017 and the funds were transferred to the main checking account.

The lack of due care in compiling the financial statements could result in errors of 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 diligence in compiling the financial statements and 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 double-checked for accuracy.

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

FINDING NUMBER 2017-006

**Noncompliance**

**Ohio Rev. Code § 5705.10(I)** states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates that money from another fund or funds was used to pay obligations of the fund or funds that carry the deficit fund balance.

After audit adjustments, the Motor Vehicle License Tax Fund had a deficit fund balance of \$755 at December 31, 2017.

The Township Fiscal Officer and Board should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds to prevent negative fund balances.

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

FINDING NUMBER 2017-007

**Noncompliance**

**Ohio Rev. Code § 5705.39** states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-007 (Continued)

Noncompliance (Continued)

Ohio Rev. Code § 5705.39 (Continued)

During 2017, the Township's appropriations for the Gasoline Tax Fund exceeded the estimated resources. The Township did not amend appropriations as a result of this.

During 2016, the Township's appropriations for the General Fund exceed the estimated resources. The Township did not amend appropriations as a result of this.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Township resources. We recommend that the Township monitor their budgetary activity on a monthly basis and make adjustments as required.

The Board should regularly review and amend their appropriations based on updates to their estimated resources. Additionally, the Board should review the certification of the County Budget Commission to ensure that their total appropriations do not exceed estimated resources.

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

FINDING NUMBER 2017-008

Noncompliance

**Ohio Revised Code § 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 meeting 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. Only the subdivision's fiscal officer need sign the certificate. 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.

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-008 (Continued)

Noncompliance (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 17% of the expenditures tested for 2017 and for 27% of the expenditures tested for 2016. For the transactions not properly certified, purchase orders dated prior to the invoice were used; however, the amounts disbursed exceeded the amounts on the purchase orders.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used. We also recommend that the Fiscal Officer review purchase orders to ensure that disbursements do not exceed the purchase order balance.

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

**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Posting of Receipts and Disbursements	Not Corrected	Reissued as Finding 2017-001
2015-002	ORC Sec. 505.24(C) – Allocating Trustee Compensation	Not Corrected	Reissued as Finding 2017-003
2015-003	Advances	Not Corrected	Reissued as Finding 2017-004
2015-004	ORC Sec. 5705.41(B) – Expenditures Limited by Appropriations	Not Corrected	Moved to Management Letter
2015-005	ORC Sec. 505.262(A) – Debt Issuance	Corrected	N/A



# Dave Yost • Auditor of State

ELK TOWNSHIP

VINTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 13, 2018