



Dave Yost • Auditor of State



ELK TOWNSHIP  
VINTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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 and related notes of Elk Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As described in Finding 2013-002 in the accompanying Schedule of Findings, 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 2012 and 2013. Township Trustee salaries, fringe benefits, insurance premiums, and insurance reimbursements were paid from the Gasoline Tax Fund in the amount of \$61,770; Road and Bridge Fund in the amount of \$35,699, and should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township declined to make this adjustment.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statements and the accounting system; the General Fund cash fund balance would have been decreased \$97,469; the Gasoline Tax Fund cash fund balance would have increased \$61,770, and the Road and Bridge Fund cash fund balance would have increased \$35,699.

***Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraphs, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Elk Township, Vinton County, Ohio, as of December 31, 2013 and 2012, 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 December 16, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 16, 2014

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**ELK TOWNSHIP  
VINTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,504	\$78,802	\$94,306
Intergovernmental	9,535	116,797	126,332
Earnings on Investments	59	866	925
Miscellaneous	752	9,312	10,064
<i>Total Cash Receipts</i>	25,850	205,777	231,627
<b>Cash Disbursements</b>			
Current:			
General Government	31,483		31,483
Public Safety		17,828	17,828
Public Works		146,590	146,590
Health	566	28,959	29,525
Capital Outlay		37,756	37,756
Debt Service:			
Principal Retirement	2,572	13,146	15,718
Interest and Fiscal Charges	423	2,033	2,456
<i>Total Cash Disbursements</i>	35,044	246,312	281,356
<i>Excess of Receipts Over (Under) Disbursements</i>	(9,194)	(40,535)	(49,729)
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	0	38,133	38,133
<i>Total Other Financing Receipts (Disbursements)</i>	0	38,133	38,133
<i>Net Change in Fund Cash Balances</i>	(9,194)	(2,402)	(11,596)
<i>Fund Cash Balances, January 1</i>	53,671	36,388	90,059
<b>Fund Cash Balances, December 31</b>			
Restricted		33,986	33,986
Assigned	26,526		26,526
Unassigned (Deficit)	17,951		17,951
<i>Fund Cash Balances, December 31</i>	\$44,477	\$33,986	\$78,463

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

ELK TOWNSHIP  
VINTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments (trust funds only)	\$14
<i>Total Operating Cash Receipts</i>	14
<i>Operating Income (Loss)</i>	14
<i>Net Change in Fund Cash Balances</i>	14
<i>Fund Cash Balances, January 1</i>	10,249
<i>Fund Cash Balances, December 31</i>	\$10,263

*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 (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$16,385	\$78,549	\$94,934
Intergovernmental	16,211	107,539	123,750
Earnings on Investments	88	603	691
Miscellaneous	343	10,379	10,722
<i>Total Cash Receipts</i>	33,027	197,070	230,097
<b>Cash Disbursements</b>			
Current:			
General Government	35,924		35,924
Public Safety		19,987	19,987
Public Works		128,962	128,962
Health	574	22,131	22,705
Capital Outlay	8,902	17,804	26,706
Debt Service:			
Principal Retirement		7,787	7,787
Interest and Fiscal Charges	185	1,024	1,209
<i>Total Cash Disbursements</i>	45,585	197,695	243,280
<i>Excess of Receipts Over (Under) Disbursements</i>	(12,558)	(625)	(13,183)
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	9,129	17,888	27,017
Sale of Capital Assets	950		950
<i>Total Other Financing Receipts (Disbursements)</i>	10,079	17,888	27,967
<i>Net Change in Fund Cash Balances</i>	(2,479)	17,263	14,784
<i>Fund Cash Balances, January 1</i>	56,150	19,125	75,275
<b>Fund Cash Balances, December 31</b>			
Restricted		36,388	36,388
Assigned	23,907		23,907
Unassigned (Deficit)	29,764		29,764
<i>Fund Cash Balances, December 31</i>	\$53,671	\$36,388	\$90,059

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

ELK TOWNSHIP  
VINTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments (trust funds only)	\$15
<i>Total Operating Cash Receipts</i>	<u>15</u>
<i>Operating Income (Loss)</i>	<u>15</u>
<i>Net Change in Fund Cash Balances</i>	15
<i>Fund Cash Balances, January 1</i>	<u>10,234</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$10,249</u></u>

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

**ELK TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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, 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, cemetery maintenance, and fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a 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 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.

The Township invests all available funds in an interest-bearing checking account and certificates of deposit.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for 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  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

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

**3. 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 certain individuals for the care of three graves.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**ELK TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

Assigned 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.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**G. Property, Plant, and Equipment**

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

**ELK TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$83,056	\$94,640
Certificates of deposit	5,670	5,668
Total deposits	\$88,726	\$100,308

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	(\$18,628)	\$25,850	\$44,478
Special Revenue	209,546	243,910	34,364
Fiduciary	10	14	4
Total	\$190,928	\$269,774	\$78,846

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$44,050	\$35,044	\$9,006
Special Revenue	198,425	246,312	(47,887)
Fiduciary	4,584	0	4,584
Total	\$247,059	\$281,356	(\$34,297)

**2012 Budgeted vs. Actual Receipts**

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$42,921	\$43,106	\$185
Special Revenue	217,289	214,958	(2,331)
Fiduciary	15	15	0
Total	\$260,225	\$258,079	(\$2,146)

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$38,000	\$45,585	(\$7,585)
Special Revenue	176,054	197,695	(21,641)
Fiduciary	4,589	0	4,589
Total	\$218,643	\$243,280	(\$24,637)



**ELK TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, appropriation authority exceeded estimated resources in the General Fund by \$9,006 for the year ended December 31, 2013 and in the Cemetery Bequest Fund by \$4,545 for the year ended December 31, 2012.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Motor Vehicle License Tax Fund by \$2,818; Gasoline Tax Fund b \$13,571; Road and Bridge Fund by \$26,205; Fire Fund by \$1,923; and the Cemetery Fund by \$3,370 for the year ended December 31, 2013. Additionally, budgetary expenditures exceeded appropriations authority in the General Fund by \$7,585; Gasoline Tax Fund by \$3,022; Road and Bridge Fund by \$13,416; Fire Fund by \$4,333; and the Cemetery Fund by \$2,322 for the year ended December 31, 2012.

**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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note (Land)	\$12,732	3.75%
Promissory Note (Tractor)	19,463	3.85%
Promissory Note (Mower)	38,133	3.19%
Total	<u><u>\$70,328</u></u>	

The Township issued two promissory notes during the audit period: one in 2012 for the purchase of a tractor in the amount of \$27,017 for five years and one in 2013 for the purchase of a mower in the amount of \$38,133 for six years.

**ELK TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	Promissory Note (Land)	Promissory Note (Tractor)	Promissory Note (Mower)
2014	\$8,811	\$5,992	\$7,034
2015	4,385	5,992	7,034
2016		5,992	7,034
2017		2,939	7,034
2018			7,034
2019-2023			6,978
Total	<u>\$13,196</u>	<u>\$20,915</u>	<u>\$42,148</u>

**6. Retirement System**

The Township's elected officials and 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. For 2013 and 2012, OPERS members contributed 10%, respectively, 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, 2013.

**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, 2013, 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.

**ELK TOWNSHIP  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

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 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,422	\$4,518

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

**8. Prior Period Fund Type Restatement**

The Township had a prior period fund type restatement from the previously reported Permanent Fund at December 31, 2011 to the Fiduciary Private Purpose Trust Fund at January 1, 2012 in the amount of \$10,234.

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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  
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 Elk Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 16, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also qualified our opinion on the financial statements for 2013 and 2012 due to the Township not making a \$97,469 adjustment against the General Fund and in favor of the Gasoline Tax Fund in the amount of \$61,770 and the Road and Bridge Fund in the amount of \$35,699.

### ***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 Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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. 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 findings 2013-001, 2013-002, and 2013-008 described in the accompanying Schedule of Findings to be material weaknesses.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***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 2013-001 through 2013-007.

***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 "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 16, 2014

**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Noncompliance/Material Weakness**

Ohio Admin. Code § 117-2-02 requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal contractual requirements and prepare financial statements required by § 117-2-03 of the Ohio Admin. Code. Such records should include a cash journal, receipts ledger, appropriation ledger, payroll journals, quarterly payroll records, and vouchers.

The Township maintained the required records. There were, however, several errors found when agreeing the manual combined and also combining statements of the annual reports for both 2012 and 2013 back to the cash journal. We noted the following errors:

- Cemetery Bequest Fund investment accounts were not recorded on the cash journal; thus resulting in incorrect beginning fund balances being recorded;
- Several footing errors due to incorrect amounts being recorded on the financial statements;
- Incorrect beginning fund balances being presented on the financial statements resulted in incorrect ending fund balances;
- Voided checks were recorded as receipts and disbursements in the General Fund in 2012, resulting in beginning fund balance being improperly recorded; and
- Voided checks were recorded as receipts and disbursements in the Gasoline Tax Fund in 2012, resulting in ending fund balance not agreeing to the cash journal.

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.

Diligence should be exercised 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 combining to the combined statements. Financial statements should be double checked for accuracy.

We recommend the Fiscal Officer implement control procedures to ensure the combining and combined financial statements tie back to the cash journal, correct beginning fund balances are recorded; amounts are properly carried over from the combining to the combined statement; and total fund balances are recorded on the cash journal.

**FINDING NUMBER 2013-002**

**Finding for Adjustment/Noncompliance/Material Weakness**

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution.

**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-002 (Continued)**

**Finding for Adjustment/Noncompliance/Material Weakness – Ohio Rev. Code § 505.24(C)  
(Continued)**

Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. As explained in Auditor of State Bulletin 2013-002, townships allocating one hundred percent of officials' salaries to restricted funds will be subject to audit findings. Auditor of State Bulletin 2011-007 describes requirements under Ohio Rev. Code § 505.24(C).

For 2013 and 2012, pursuant to a unanimously approved salary resolution, the salaries of the Board of Trustees were to be paid one month from the General Fund and the remaining months from the Road and Bridge Fund or the Gasoline Tax Fund. However, the Board of Trustees did not follow the certification requirements of Ohio Rev. Code § 505.24(C) nor did the Trustees maintain time and effort documentation. For 2013 and 2012, the Board of Trustees salaries and fringe benefits were paid from the Gasoline Tax Fund in the amount of \$31,743 and the Road and Bridge Fund in the amount of \$14,814. In addition, Township insurance reimbursements were paid from the Gasoline Tax Fund in the amount of \$568 and the Road and Bridge Fund in the amount of \$12,541. Furthermore, Township insurance premiums were paid from the Gasoline Tax Fund in the amount of \$29,459 and the Road and Bridge Fund in the amount of \$8,344.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$97,469 and in favor in the Gasoline Tax Fund in the amount of \$61,770 and the Road and Bridge Fund in the amount of \$35,699.

The Fiscal Officer has not posted these adjustments to the Township records, and therefore, they are not reflected in the accompanying financial statements.

We recommend the Township review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding completion of the required certifications when compensated from funds other than the General Fund.

**FINDING NUMBER 2013-003**

**Noncompliance**

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

The Township issued two promissory notes during the audit period: one in 2012 in the amount of \$27,016 and one in 2013 in the amount of \$38,133 that did not meet the requirements of Ohio Rev. Code § 133.20.

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



**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-004**

**Noncompliance**

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2013, in the following fund:

	Estimated Resources	Appropriation Authority	Variance
General Fund	\$35,044	\$44,050	(\$9,006)

Appropriations exceeded estimated resources at December 31, 2012, in the following fund:

	Estimated Resources	Appropriation Authority	Variance
Cemetery Bequest Fund	\$44	\$4,589	(\$4,545)

This could result in the Township spending in excess of their estimated resources.

We recommend the Board of Trustees not approve appropriations that exceed estimated resources.

**FINDING NUMBER 2013-005**

**Noncompliance**

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation.

In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a township board of trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); and *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

At December 31, 2013, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variances are as follows:

	Approved	Manual Ledger	Variance
General Fund	\$44,050	\$36,045	\$8,005
Motor Vehicle License Tax Fund	\$10,500	\$9,016	\$1,484
Road and Bridge Fund	\$50,400	\$41,600	\$8,800
Cemetery Fund	\$34,400	\$28,753	\$5,647
Cemetery Bequest Fund	\$4,584	\$0	\$4,584

**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-005 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.40 (Continued)**

At December 31, 2012, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variances are as follows:

	Approved	Manual Ledger	Variance
General Fund	\$38,000	\$42,350	(\$4,350)
Motor Vehicle License Tax Fund	\$9,016	\$10,500	(\$1,484)
Gasoline Tax Fund	\$84,828	\$87,304	(\$2,476)
Road and Bridge Fund	\$37,936	\$50,400	(\$12,464)
Cemetery Fund	\$28,620	\$33,388	(\$4,768)
Cemetery Bequest Fund	\$4,589	\$0	\$4,589

We recommend the Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments

**FINDING NUMBER 2013-006**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2013, disbursements exceeded appropriations in the following funds:

	Appropriations	Expenditures	Variance
Motor Vehicle License Fund	\$10,500	\$13,318	(\$2,818)
Gasoline Tax Fund	\$87,220	\$100,791	(\$13,571)
Road and Bridge Fund	\$50,400	\$76,605	(\$26,205)
Fire Fund	\$15,905	\$17,828	(\$1,923)
Cemetery Fund	\$34,400	\$37,770	(\$3,370)

At December 31, 2012, disbursements exceeded appropriations in the following funds:

	Appropriations	Expenditures	Variance
General Fund	\$38,000	\$45,585	(\$7,585)
Gasoline Tax Fund	\$84,828	\$87,850	(\$3,022)
Road and Bridge Fund	\$37,936	\$51,352	(13,416)
Fire Fund	\$15,654	\$19,987	(\$4,333)
Cemetery Fund	\$28,620	\$30,942	(\$2,322)

The practice of allowing disbursements to exceed appropriations could result in negative fund balances for the Township.

**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-006 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.41(B) (Continued)**

We recommend the Fiscal Officer compare disbursements to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2013-007**

**Noncompliance**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 §§ 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from 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 Township.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-007 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

3. Super Blanket Certificate - The Township 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

38% percent of disbursements tested during the audit period were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions above.

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 recommend the Board of Trustees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2013-008**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statements had the following errors that required adjust adjustment or reclassification:

In 2012:

- General Fund intergovernmental revenue of \$6,448 was misposted as miscellaneous revenue;
- General Fund other debt proceeds revenue of \$8,944 was misposted as miscellaneous revenue;
- General Fund sale of capital assets revenue of \$950 was misposted as miscellaneous revenue;
- General Fund capital outlay expenditures of \$8,902 were misposted as general government expenditures;
- General Fund proceeds of debt revenue and interest and other fiscal charges expenditures of \$185 were unrecorded;
- General Fund assigned fund of \$23,907 was misclassified as unassigned fund balance;
- Gasoline Tax Fund other debt proceeds revenue of \$8,944 was misposted as intergovernmental revenue;

**ELK TOWNSHIP  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-008 (Continued)**

**Material Weakness (Continued)**

- Road and Bridge Fund intergovernmental revenue of \$8,000 was misposted as miscellaneous revenue;
- Road and Bridge Fund other debt proceeds revenue of \$8,944 was misposted as miscellaneous revenue;
- Road and Bridge Fund capital outlay expenditures of \$8,902 were misposted as public works expenditures;
- Cemetery Fund debt service principal retirement expenditures of \$7,787 were misposted as health expenditures;
- Cemetery Fund debt service interest and other fiscal charges of \$1,024 were misposted as health expenditures; and
- Cemetery Bequest Fund beginning fund balance increased \$5,675 to agree to the December 31, 2011 audited ending fund balance.

In 2013:

- General Fund general government expenditures of \$1,498 were misposted as debt service principal retirement of \$1,366 and debt service interest and other fiscal charges of \$132;
- General Fund assigned fund balance of \$26,526 was misclassified as unassigned fund balance;
- Motor Vehicle License Fund restricted fund balance of \$937 was misclassified as unassigned fund balance;
- Gasoline Tax Fund other debt proceeds revenue of \$18,878 was misposted as miscellaneous revenue;
- Gasoline Tax Fund debt service principal retirement expenditures of \$2,249 were misposted as public works expenditures;
- Gasoline Tax Fund debt service interest and other fiscal charges expenditures of \$746 were misposted as public works expenditures;
- Gasoline Tax Fund capital outlay expenditures of \$18,878 were misposted as public works expenditures;
- Gasoline Tax Fund proceeds of debt revenue and interest and fiscal charges expenditures of \$377 were unrecorded;
- Gasoline Tax Fund restricted fund balance of \$12,456 was misclassified as unassigned fund balance;
- Road and Bridge Fund intergovernmental revenue of \$6,000 was misposted as miscellaneous revenue;
- Road and Bridge Fund other debt proceeds revenue of \$18,878 was misposted as miscellaneous revenue;
- Road and Bridge Fund capital outlay expenditures of \$18,878 were misposted as public works expenditures;
- Road and Bridge Fund debt service principal retirement expenditures of \$2,732 were misposted as public works expenditures;
- Road and Bridge Fund debt service interest and other fiscal charges expenditures of \$264 were misposted as public works expenditures;
- Road and Bridge Fund restricted fund balance of \$12,910 was misclassified as unassigned fund balance;

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

FINDING NUMBER 2013-008 (Continued)

**Material Weakness (Continued)**

- Fire Fund restricted fund balance of \$1,206 was misclassified as unassigned fund balance;
- Cemetery Fund debt service principal retirement expenditures of \$8,165 were misposted as health expenditures;
- Cemetery Fund debt service interest and other fiscal charges expenditures of \$646 were misposted as health expenditures; and
- Cemetery Fund restricted fund balance of \$6,475 was misclassified as unassigned fund balance.

The Fiscal Officer made classification errors in posting of revenues and expenditures. This caused the mispostings of revenues and expenditures as noted above. The audited financial statements and the Township's manual accounting system have been adjusted for the issues and noted above.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township manual for guidance on the correct line item to post various receipts and expenditures of the Township.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

ELK TOWNSHIP  
VINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-001	Material Weakness – Posting Receipts and Expenditures.	No	Not Corrected. Reissued as Findings Number 2013-001 and 2013-008.

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# 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  
DECEMBER 30, 2014**