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Certified Public Accountants, A.C.

**ADAMS TOWNSHIP
WASHINGTON COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Trustees
Adams Township
PO Box 384
Lowell, OH 45744

We have reviewed the *Independent Auditor's Report* of Adams Township, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. 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:

Finding for Adjustment

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Ohio Rev. Code § 5705.10(I) states that money paid into a fund must be used for the purposes for which such fund has been established.

During 2014 and 2015, the Fiscal Officer incorrectly posted rollback and homestead receipts to the General Fund, totaling \$7,782 and \$7,743, respectively, rather than to the Road and Bridge Fund. Also, during 2014, and 2015, the Fiscal Officer incorrectly posted real estate taxes to the General Fund, totaling \$14,289 and \$32,910, respectively, rather than to the Road and Bridge Fund. Lastly, during 2015, the Fiscal Officer posted real estate taxes to the Road and Bridge Fund, totaling \$2,272 rather than to the General Fund. The net effect of these adjustments totaled \$60,452.

Additionally, homestead and rollback during 2010-2011, totaling \$14,361, was incorrectly recorded in the General Fund rather than the Road and Bridge Fund.

Also, during 2014, the Fiscal Officer incorrectly posted a sales tax receipt to the General Fund, totaling \$29,643, rather than to the Permissive Sales Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Adams Township, Washington County General Fund in the amount of \$104,456, and in favor of the Road and Bridge Fund, totaling \$74,813 and the Permissive Sales Fund, totaling \$29,643.

Board of Trustees
Adams Township
PO Box 384
Lowell, OH 45744
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The Township has not posted these adjustments to the Township records and, therefore, these adjustments are not reflected in the accompanying financial statements.

Finding for Adjustment

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. In 2014 and 2015, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2014 and 2015. In 2014, the Trustees were incorrectly paid \$7,783 from the Motor Vehicle License Tax Fund and \$16,980 from the Gasoline Tax Fund. Additionally, the Trustee's insurance reimbursement was incorrectly paid from the Gasoline Tax Fund totaling \$10,000 instead of the General Fund. In 2015, the Trustees were incorrectly paid \$5,360 from the Motor Vehicle License Tax Fund and \$18,695 from the Gasoline Tax Fund. These adjustments totaled \$58,818 against the General Fund.

Additionally, adjustments were proposed in the previous 2012-2013 and 2010-2011 audit reports and the township declined to make these adjustments totaling \$71,965. The total \$71,965 was against the General Fund in favor of the Gasoline Tax Fund, totaling \$50,401, Motor Vehicle License Tax Fund, totaling \$13,443 and the Road and Bridge Fund, totaling \$8,121.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Adams Township, Washington County General Fund in the amount of \$130,783, and in favor of the Gasoline Tax Fund, totaling \$96,076, Motor Vehicle License Tax Fund, totaling \$26,586 and the Road and Bridge Fund, totaling \$8,121.

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

Board of Trustees
Adams Township
PO Box 384
Lowell, OH 45744
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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. Adams Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

January 6, 2017

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**ADAMS TOWNSHIP
WASHINGTON COUNTY**

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Independent Auditor's Report

August 1, 2016

Adams Township
Washington County
PO Box 384
Lowell, Ohio 45744

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 **Adams Township**, Washington County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 1B 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 *Adverse Opinion on the General Fund and Special Revenue Fund Type and 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinions on the General Fund and Special Revenue Fund Type

In 2014, the Board of Trustees did not establish the necessary administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2014. The trustees were paid \$7,783 from the Motor Vehicle License Tax Fund and \$16,980 from the Gasoline Tax Fund, Special Revenue Fund type. Additionally, the trustees' insurance reimbursement was paid from the Gasoline Tax Fund, Special Revenue Fund type totaling \$10,000 instead of the General Fund. Also in 2014, Property Tax and Homestead and Rollback receipts were improperly recorded and as a result, \$22,071 was improperly recorded to the General Fund instead of to the Road and Bridge Fund and a Permissive Sales Tax receipt was improperly recorded to the General Fund instead of the Permissive Sales Tax Fund in the amount of \$29,643. The Township declined to make these adjustments.

In 2015, the Board of Trustees did not establish the necessary administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2015. The Trustees were paid \$5,360 from the Motor Vehicle License Tax Fund and \$18,695 from the Gasoline Tax Fund. Also in 2015, Property Tax and Homestead and Rollback receipts were improperly recorded and as a result, \$38,381 was improperly recorded to the General Fund instead of the Road and Bridge Fund. The Township declined to make these adjustments.

Also, adjustments were proposed in the previous audit report and the township declined to make these adjustments totaling \$86,326.

Adverse Opinions on the General Fund and Special Revenue Fund Type

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, the financial statements referred above do not present fairly, in all material respects, the combined cash balances of the General Fund and Special Revenue Fund Type of Adams Township, Washington County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 1B.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Permanent Fund Type of Adams Township, Washington County, as of December 31, 2015, and its combined cash receipts and disbursements for the year 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 1B.

Emphasis of Matter

As discussed in Note 8, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments due to the General Fund's cash balance not being sufficient to support the adjustments. Management's plan in regards to these financial difficulties is described in Note 8 of the financial statements. These financial statements do not include any adjustments that might result from the outcome of uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2016, 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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 41,650	\$ 113,071	\$ -	\$ 154,721
Licenses, Permits and Fees	-	10,450	-	10,450
Intergovernmental	41,792	119,138	-	160,930
Earnings on Investments	159	18	2	179
Miscellaneous	857	2,180	-	3,037
<i>Total Cash Receipts</i>	<u>84,458</u>	<u>244,857</u>	<u>2</u>	<u>329,317</u>
Cash Disbursements				
Current:				
General Government	40,202	-	-	40,202
Public Works	-	229,647	-	229,647
Health	24,984	18,818	-	43,802
Capital Outlay	3,000	351	-	3,351
Debt Service:				
Principal Retirement	-	6,534	-	6,534
Interest and Fiscal Charges	-	228	-	228
<i>Total Cash Disbursements</i>	<u>68,186</u>	<u>255,578</u>	<u>-</u>	<u>323,764</u>
<i>Net Change in Fund Cash Balances</i>	16,272	(10,721)	2	5,553
<i>Fund Cash Balances, January 1</i>	<u>62,943</u>	<u>81,792</u>	<u>20,719</u>	<u>165,454</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	19,948	19,948
Restricted	-	71,071	773	71,844
Assigned	211	-	-	211
Unassigned	79,004	-	-	79,004
<i>Fund Cash Balances, December 31</i>	<u>\$ 79,215</u>	<u>\$ 71,071</u>	<u>\$ 20,721</u>	<u>\$ 171,007</u>

The accompanying notes are an integral part of the financial statements.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 29,183	\$ 94,431	\$ -	\$ 123,614
Licenses, Permits and Fees	-	12,925	-	12,925
Intergovernmental	48,840	108,856	-	157,696
Earnings on Investments	47	29	109	187
Miscellaneous	1,588	5,700	-	7,288
<i>Total Cash Receipts</i>	<u>79,658</u>	<u>221,941</u>	<u>109</u>	<u>301,708</u>
Cash Disbursements				
Current:				
General Government	27,557	-	-	27,557
Public Works	-	231,028	-	231,028
Health	4,804	15,993	-	20,797
Capital Outlay	-	500	-	500
Debt Service:				
Principal Retirement	-	8,469	-	8,469
Interest and Fiscal Charges	-	465	-	465
<i>Total Cash Disbursements</i>	<u>32,361</u>	<u>256,455</u>	<u>-</u>	<u>288,816</u>
<i>Net Change in Fund Cash Balances</i>	47,297	(34,514)	109	12,892
<i>Fund Cash Balances, January 1</i>	<u>15,646</u>	<u>116,306</u>	<u>20,610</u>	<u>152,562</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	19,948	19,948
Restricted	-	81,792	771	82,563
Assigned	480	-	-	480
Unassigned	62,463	-	-	62,463
<i>Fund Cash Balances, December 31</i>	<u>\$ 62,943</u>	<u>\$ 81,792</u>	<u>\$ 20,719</u>	<u>\$ 165,454</u>

The accompanying notes are an integral part of the financial statements.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 Adams Township, Washington 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, police protection, fire protection and emergency medical services.

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The organization is a:

Public Entity Risk Pool:

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.

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 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.

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 values certificates of deposit and common stock at cost or fair value when donated.

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:

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and recorded 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:

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

Permissive Sales Tax Fund - This fund receives funds from Washington County through the one-half percent sales tax for road repairs.

3. Permanent Fund

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Greenlawn Cemetery Bequest Fund – These funds receive interest earned on the nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

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 amends 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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. Accumulated Leave

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

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:

	2015	2014
Demand Deposits	\$ 159,720	\$ 154,167
Certificates of deposit	11,287	11,287
Total Deposits	171,007	165,454

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,000	\$ 84,458	\$ 44,458
Special Revenue	196,000	244,857	48,857
Permanent	103	2	(101)
Total	\$ 236,103	\$ 329,317	\$ 93,214

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 81,680	\$ 68,397	\$ 13,283
Special Revenue	304,417	256,787	47,630
Total	\$ 386,097	\$ 325,184	\$ 60,913

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,500	\$ 79,658	\$ 39,158
Special Revenue	190,306	221,941	31,635
Permanent	255	109	(146)
Total	\$ 231,061	\$ 301,708	\$ 70,647

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,146	\$ 32,841	\$ 23,305
Special Revenue	306,610	261,972	44,638
Total	\$ 362,756	\$ 294,813	\$ 67,943

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.

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. 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 2015 and 2014, OPERS members contributed 10.0% of their gross salaries, and the Township contributed an amount equaling 14.0% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

6. 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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

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

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$4,875	\$4,187

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.

7. 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.

8. FINANCIAL DIFFICULTIES

At December 31, 2015, the following funds had adjustments which the Township declined to make in the following amounts (the table also includes adjustments from 2010-2013 that the management of the Township declined to make):

Fund	12/31/2015 Balance	Adjustments Not Made	Effect on 12/31/2015 Balance
General	\$79,215	\$(235,239)	\$(156,024)
Special Revenue	\$71,071	\$235,239	\$306,310

The Township has no formal plans for increasing revenue streams of the General Fund, but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type affects the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Road and Bridge Fund.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

August 1, 2016

Adams Township
Washington County
PO Box 384
Lowell, OH 45744

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 **Adams Township**, Washington County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 1, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We expressed an adverse opinion on the General Fund and Special Revenue Fund Type for the 2015 and 2014 financial statements due to certain misstatements of expenditures in the financial statements. We also noted the Township has suffered recurring net losses and has a deficit in the General Fund.

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 opinions 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 described in the accompanying schedule of audit findings to be material weaknesses.

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •

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 2015-002 and 2015-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 1, 2016.

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-001

Material Weakness/Noncompliance

Posting Receipts, Disbursements and Fund Balance Classification

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements is correct. Fund Balances should be properly classified based on Governmental Accounting Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In addition, Ohio Rev. Code 5705.10(D), provides, in part, that all revenue derived from a source other than the general property tax and which law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Receipts, disbursements, and fund balances were not always posted or classified correctly. The following errors were noted:

- Real Estate Taxes incorrectly classified to General Fund instead of General Fund and Road and Bridge Fund in 2015 and 2014.
- Homestead and Rollback receipts were recorded entirely to the General Fund instead of the General and Road and Bridge Funds in 2015 and 2014.
- Debt payments on the tractor loan were not properly allocated between Principal Retirement and Interest and Other Fiscal Charges in 2015 and 2014.
- Nonspendable balance was incorrectly classified as restricted in the Permanent Fund in 2015 and 2014.
- End of year encumbrances in both 2015 and 2014 were classified as Unassigned instead of Assigned in the General Fund.
- An expense was classified as Principal retirement in the Road and Bridge Fund instead of Public Works in the Permissive Sales Fund in 2015.
- Permissive Sales Tax Receipt was recorded to the General Fund instead of to the Permissive Sales Tax Fund in 2014.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications and adjustments. The financial statements reflect all reclassifications, however the Township was unable to make the proposed adjustments.

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

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt accounts and posting of receipts.

Management's Response – Officials did not provide a response to this finding.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters 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 services performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

In 2014, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2014. The trustees were paid \$7,783 from the Motor Vehicle License Tax Fund, \$16,980 from the Gasoline Tax Fund, Special Revenue Fund type. Additionally, the trustees' insurance reimbursement was paid from the Gasoline Tax Fund, Special Revenue Fund type totaling \$10,000 instead of the General Fund.

In 2015, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2015. The trustees were paid \$5,360 from the Motor Vehicle License Tax Fund and \$18,695 from the Gasoline Tax Fund.

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

FINDING NUMBER 2015-003

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required 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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-003 (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. 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 47% of the expenditures tested for 2015 and for 25% of the expenditures tested for 2014.

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.

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Posting Receipts, Disbursements and Fund Balance Classification	No	Repeated as Finding 2015-001
2013-002	Ohio Rev. Code Section 505.24(C) Ohio Rev. Code Section 507.09	No	Partially Corrected; Repeated as Finding 2015-002



Dave Yost • Auditor of State

ADAMS TOWNSHIP

WASHINGTON 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
JANUARY 19, 2017**