



Dave Yost • Auditor of State

**ADAMS TOWNSHIP
WASHINGTON COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Adams Township
Washington County
P.O. 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, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 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 such 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.

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

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

Ohio Rev. Code § 505.24(D) and Ohio Attorney General Opinion No. 2004-036 require trustees to document the proportionate amount of salaries chargeable to other Township funds based on the kinds of services rendered. Without this documentation, the Township must charge salaries to the General Fund. During 2010 through 2016, the Township charged Trustees' salaries as well as related fringe benefits to the Motor Vehicle License Tax, Gasoline Tax and Road and Bridge Funds without the required supporting documentation. Additionally, Ohio Rev. Code § 5705.10(A) states that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. 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 2010 through 2017, the Township posted receipts and disbursements to improper funds. Findings for adjustment issued for noncompliance with these requirements have not been posted by the Township. Had the adjustments been posted, the result would have been a decrease in the fund balance of the General Fund in the amount of \$235,239 at January 1, 2016, \$236,833 at December 31, 2016, and January 1, 2017, and \$227,326 at December 31, 2017, an increase in the Special Revenue fund type in the amount of \$235,239 at January 1, 2016, \$236,833 at December 31, 2016, and January 1, 2017, and \$226,681 at December 31, 2017.

Adverse Opinion on the General Fund and Special Revenue Fund Type

In our opinion, because of the effects of the matters described in the *Basis for Adverse Opinion on the General Fund and Special Revenue Fund Type* paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash balances, receipts and disbursements of the General Fund and Special Revenue Fund Type, and related notes of Adams Township, Washington County as of December 31, 2017 and 2016, 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 2.

Basis for Additional Opinion Qualification on the Permanent Fund Type

In 2017, \$128 in interest income was posted to the General Fund instead of the Permanent Fund Type as required by Ohio Rev. Code § 5705.131. The Township declined to make this adjustment.

Additional Opinion Qualification on the Permanent Fund Type

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification on the Permanent Fund Type* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Permanent Fund Type, and related notes of Adams Township, Washington County as of December 31, 2017 and 2016, 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 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Township has suffered recurring losses and if the adjustments noted in the *Basis for Adverse Opinion on the General Fund and Special Revenue Fund Type* paragraph were made, the General Fund would have a negative \$218,903 fund balance at December 31, 2017 and a negative \$189,349 fund balance at December 31, 2016. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 10, 2018

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Adams Township
Washington County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$6,150	\$64,587	\$0	\$70,737
Licenses, Permits and Fees	0	14,100	0	14,100
Intergovernmental	24,152	224,147	0	248,299
Earnings on Investments	174	59	83	316
Miscellaneous	9,442	2,850	0	12,292
<i>Total Cash Receipts</i>	<u>39,918</u>	<u>305,743</u>	<u>83</u>	<u>345,744</u>
Cash Disbursements				
Current:				
General Government	67,518	0	0	67,518
Public Works	0	207,595	0	207,595
Health	11,461	8,547	0	20,008
Debt Service:				
Principal Retirement	0	31,014	0	31,014
Interest and Fiscal Charges	0	1,695	0	1,695
<i>Total Cash Disbursements</i>	<u>78,979</u>	<u>248,851</u>	<u>0</u>	<u>327,830</u>
<i>Net Change in Fund Cash Balances</i>	(39,061)	56,892	83	17,914
<i>Fund Cash Balances, January 1</i>	<u>47,484</u>	<u>135,408</u>	<u>20,835</u>	<u>203,727</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	8,946	8,946
Restricted	0	182,721	11,972	194,693
Committed	0	9,579	0	9,579
Unassigned (Deficit)	8,423	0	0	8,423
<i>Fund Cash Balances, December 31</i>	<u>\$8,423</u>	<u>\$192,300</u>	<u>\$20,918</u>	<u>\$221,641</u>

See accompanying notes to the financial statements.

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Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 general government, road and bridge maintenance, cemetery maintenance, and fire protection.

Public Entity Risk Pool

The Township participates in 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gasoline Tax Fund This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following permanent fund that was deemed significant by the Township:

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

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year-end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

Capital Assets

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

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.

Fund Balance

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

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

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio Law, the Board of Trustees did not pass an annual appropriation measure during the year ended December 31, 2017, therefore, expenditures exceeded appropriations in all funds.

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,000	\$39,918	(\$9,082)
Special Revenue	238,252	305,743	67,491
Permanent	108	83	(25)
Total	\$287,360	\$345,744	\$58,384

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$759	\$78,979	(\$78,220)
Special Revenue	1,495	248,851	(247,356)
Total	\$2,254	\$327,830	(\$325,576)

Note 5 – Deposits

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

Demand deposits	2017
	\$221,641

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 6 – Property Taxes

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

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

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program.

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 – Risk Management (Continued)

Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

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

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

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>2017 Contributions to OTARMA</u>
\$5,223

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.

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Caterpillar Financial Services	\$50,572	2.49%

The Township issued debt to finance the purchase of a Challenger MT455D tractor for use on Township roads during fiscal year 2015. The Township's taxing authority collateralized the debt.

Leases

The Township leases a tractor from Kubota Leasing. The Township disbursed \$3,012 to pay the lease costs for the year ended December 31, 2017.

Amortization

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

Year Ending December 31:	Leases	Caterpillar Financial Services
2018	\$2,259	\$29,622
2019		22,216
Total	\$2,259	\$51,838

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 12 – Financial Difficulties

At December 31 2017, the Township's General Fund had a fund cash balance of \$8,423. However, the Township has unposted findings for adjustment from prior and current audits totaling \$227,326 against the General Fund and in favor of restricted funds. If the Township posted the findings for adjustment, the General Fund would have a deficit fund cash balance of \$218,903. Township management currently does not have a plan in place to address this matter.

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Adams Township
Washington County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$10,195	\$50,315	\$0	\$60,510
Licenses, Permits and Fees	0	9,775	0	9,775
Intergovernmental	21,637	219,272	0	240,909
Earnings on Investments	59	16	114	189
Miscellaneous	340	3,732	0	4,072
<i>Total Cash Receipts</i>	<u>32,231</u>	<u>283,110</u>	<u>114</u>	<u>315,455</u>
Cash Disbursements				
Current:				
General Government	54,015	0	0	54,015
Public Works	0	182,859	0	182,859
Health	2,261	10,108	0	12,369
Capital Outlay	281	438	0	719
Debt Service:				
Principal Retirement	6,747	23,646	0	30,393
Interest and Fiscal Charges	658	1,722	0	2,380
<i>Total Cash Disbursements</i>	<u>63,962</u>	<u>218,773</u>	<u>0</u>	<u>282,735</u>
<i>Net Change in Fund Cash Balances</i>	(31,731)	64,337	114	32,720
<i>Fund Cash Balances, January 1</i>	<u>79,215</u>	<u>71,071</u>	<u>20,721</u>	<u>171,007</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	8,946	8,946
Restricted	0	113,250	11,889	125,139
Committed	0	22,158	0	22,158
Unassigned (Deficit)	47,484	0	0	47,484
<i>Fund Cash Balances, December 31</i>	<u>\$47,484</u>	<u>\$135,408</u>	<u>\$20,835</u>	<u>\$203,727</u>

See accompanying notes to the financial statements.

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Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 general government, road and bridge maintenance, cemetery maintenance, and fire protection.

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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.

Budgetary Process

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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. Unencumbered appropriations lapse at year-end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

Capital Assets

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

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.

Fund Balance

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

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

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio Law, the Board of Trustees did not pass an annual appropriation measure during the year ended December 31, 2016, therefore, expenditures exceeded appropriations in all funds.

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,000	\$32,231	(\$14,769)
Special Revenue	240,200	283,110	42,910
Permanent	52	114	62
Total	\$287,252	\$315,455	\$28,203

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211	\$64,721	(\$64,510)
Special Revenue	1,209	220,268	(219,059)
Total	\$1,420	\$284,989	(\$283,569)

Note 5 – Deposits

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

	2016
Demand deposits	\$192,440
Certificates of Deposit	11,287
Total deposits	203,727

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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

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

Note 7 – Risk Management

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

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

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.

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 – Risk Management (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

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

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

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>2016 Contributions to OTARMA</u>
\$5,656

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.

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Caterpillar Financial Services	\$78,498	2.49%

The Township issued debt to finance the purchase of a Challenger MT455D tractor for use on Township roads during fiscal year 2015. The Township's taxing authority collateralized the debt.

Leases

The Township leases a tractor from Kubota Leasing. The Township disbursed \$3,012 to pay the lease costs for the year ended December 31, 2016.

Amortization

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

Year Ending December 31:	Leases	Caterpillar Financial Services
2017	\$3,012	\$29,622
2018	2,259	29,622
2019		22,216
Total	\$5,271	\$81,460

Adams Township
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Financial Difficulties

At December 31 2016, the Township's General Fund had a fund cash balance of \$47,484. However, the Township has unposted findings for adjustment from prior and current audits totaling \$236,833 against the General Fund and in favor of restricted funds. If the Township posted the findings for adjustment, the General Fund would have a deficit fund cash balance of \$189,349. Township management currently does not have a plan in place to address this matter.

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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

Adams Township
Washington County
P.O. Box 384
Lowell, Ohio 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, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 10, 2018, 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 issued an adverse opinion on the General Fund and Special Revenue Fund Type and issued a qualified opinion on the Permanent Fund Type because the Township declined to fully adjust its financial statements or accounting records for prior and current audit findings for adjustment.

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 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 Findings that we consider material weaknesses. We consider findings 2017-002 through 2017-005 and 2017-007 through 2017-011 to be material weaknesses.

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 2017-001 through 2017-006.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 10, 2018

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 149.43(B) states in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Township's two full-time employees, Roger Augenstein and Robert Dutton utilize the Township's credit card for certain Township purchases. During 2017 and 2016, the Fiscal Officer paid credit card charges in the amounts of \$738 and \$1,577, respectively, where the voucher packet, which normally contains receipts, an invoice, or other documentation to support Township expenditures, did not contain support to determine if the credit card expenditures were valid or included items that would not be considered a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Carrie Tullius, Adams Township Fiscal Officer and her bonding company, the Travelers Casualty and Surety Company of America, Roger Augenstein and Robert Dutton, jointly and severally, in the amount of \$2,315 and in favor of the Adams Township, Motor Vehicle License Tax, Gasoline Tax, Cemetery, and Permissive Sales Tax Funds in the amounts of \$149, \$1,870, \$171, and \$125, respectively.

Fiscal Officer Carrie Tullius repaid the \$2,315 on November 7, 2018 on receipt number 69-2018. The amount was paid into Adam Township's Motor Vehicle License Tax, Gasoline Tax, Cemetery, and Permissive Sales Tax Funds in the amounts of \$149, \$1,870, \$171, and \$125, respectively.

Officials' Response: This is being taken care of/paid back and The Township will ensure receipts (or supporting documentation, invoices, etc. as appropriate) are attached to payments (or receipts, if applicable).

FINDING NUMBER 2017-002

Finding for Adjustment, Noncompliance and Material Weakness

Ohio Rev. Code § 505.24(D) 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. 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.

The Township's Board of Trustees did not unanimously pass a resolution to allow being paid on a salary basis in equal monthly installments or approve to be paid from funds other than the general fund. During 2017 and 2016, the Board of Trustees were paid on a salary basis without the required approval. During 2016, two Trustees were paid from funds other than the General Fund without the proper certifications. This resulted in improper payments being made from the Motor Vehicle License Tax Fund totaling \$708, and \$4,953 from the Gasoline Tax Fund.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-002
(Continued)**

Finding for Adjustment, Noncompliance and Material Weakness (Continued)

Additionally, adjustments were proposed in the previous 2014-2015, 2012-2013 and 2010-2011 audit reports and the township declined to make these adjustments totaling \$130,783. The total \$130,783 was against the General Fund 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 did not have control procedures in place to ensure the Trustees completed the required certifications. Not having procedures in place to ensure proper posting of Trustee compensation could result in material errors to the financial statements, which may go undetected.

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

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 \$136,444, and in favor of the Gasoline Tax Fund, totaling \$101,029, Motor Vehicle License Tax Fund, totaling \$27,294 and the Road and Bridge Fund, totaling \$8,121.

The Township should, by unanimous vote, adopt the salary method of compensation to be paid in equal monthly payments, as well as, adopt a resolution that specifies the proportions of the salary that are to be paid from each fund. Additionally, Trustees should complete the appropriate certifications prior to receiving his/her pay for that pay period if they are being paid from funds other than the General Fund.

Officials' Response: The Township will take care to post receipts to the proper place.

FINDING NUMBER 2017-003

Finding for Adjustment, Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(A) states that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Ohio Rev. Code § 5705.10(D) states 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.

We noted the following adjustments at December 31, 2017:

- The Township posted the first half real estate settlement in the amount of \$44,841 to Permissive Sales Tax Fund Property and Other Local Taxes rather than \$8,957 to General Fund and \$35,884 Road and Bridge Fund.
- The second half real estate settlement was entirely posted to the General Fund and should have been posted to Property and Other Local Taxes within the Road and Bridge Fund in the amount of \$2,783.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-003
(Continued)**

Finding for Adjustment, Noncompliance and Material Weakness (Continued)

- The Township posted manufactured homes revenue totaling \$374 to the Road and Bridge Fund as Intergovernmental revenue, which should have been posted to the General Fund as Property and Other Local Taxes.
- Homestead and rollback revenue totaling \$2,853 were posted to the Road and Bridge Fund as Property and Other Local Taxes, which should have been posted to the General Fund as intergovernmental revenue.
- Township Supplement payments (i.e. local government monies) from the County Auditor totaling \$751 were improperly posted to the Road and Bridge Fund and should have been posted to the General Fund.
- The Township posted gasoline tax receipts received from the County Auditor in the amount of \$1,771 and \$714 to the Road and Bridge Fund and Motor Vehicle License Tax Fund, respectively, rather than the Gasoline Tax Fund.
- A reimbursement for summer help from Job and Family Services should have been posted to the Road and Bridge Fund, where the employee was paid, rather than the Gasoline Tax Fund in the amount of \$1,369.
- Employee timesheets indicated they worked in the cemeteries, but this time was charged to the Gasoline Tax Fund or Road and Bridge Fund rather than the Cemetery Fund. We reviewed the employee timesheets and noted this amounted to \$7,202 for the Gasoline Tax and \$544 for the Road and Bridge Funds, which should have been charged to the Cemetery Fund in the amount of \$7,746.

We noted the following adjustments at December 31, 2016:

- The Township posted real estate taxes entirely to the Road and Bridge Fund and \$7,794 should have been posted to the General Fund.
- The Township posted the manufactured homes proceeds to the Motor Vehicle License Tax Fund in the amount of \$1,589, which should have been posted to the Road and Bridge Fund in the amount of \$1,232 and the General Fund in the amount of \$357.
- Real estate settlement and manufactured homes revenue was improperly posted to Permissive Sales Tax Fund in the amount of \$16,733 and should have been posted to the Road and Bridge Fund and General Fund in the amount of \$14,370 and \$2,363, respectively.
- Homestead and rollback revenue was entirely posted to the General Fund, and \$7,590 of these proceeds should have been posted to the Road and Bridge Fund.
- Township Supplement payments (i.e. local government monies) from the County Auditor totaling \$751 and \$2,253 were improperly posted to the Road and Bridge Fund and Motor Vehicle License Tax Fund, respectively, and should have been posted to the General Fund.
- A reimbursement for summer help from Job and Family Services was posted to the General Fund in the amount of \$1,861, but should have been posted to the Gasoline Tax and Cemetery Funds in the amount of \$1,533 and \$328, respectively.
- Employee timesheets indicated they worked in the cemeteries, but this time was charged to the Gasoline Tax Fund or Road and Bridge Fund. We reviewed the employee timesheets and noted this amounted to \$3,849 for the Gasoline Tax and \$544 for the Road and Bridge Funds, which should have been charged to the Cemetery Fund in the amount of \$4,393.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-003
(Continued)**

Finding for Adjustment, Noncompliance and Material Weakness (Continued)

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 Tax Fund.

The Township did not have control procedures in place to ensure receipts are posted to the correct fund. Not having procedures in place to ensure proper posting of receipts could result in material errors to the financial statements, which may go undetected. Failure to review the employee timesheets resulted in payroll being improperly charged to Gasoline Tax and Road and Bridge Funds when the employees indicated they worked in the cemeteries and not on the roads. The Township is reimbursed from funeral homes for burials and receives additional fees if an employee works beyond their normal working hours, therefore, payroll should be posted accordingly.

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

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 \$90,237, the Motor Vehicle License Tax Fund in the amount of \$4,556, the Cemetery Fund in the amount of \$11,811 and the Permissive Sales Tax Fund in the amount of \$31,931 and in favor of the Gasoline Tax Fund in the amount of \$13,700, and the Road and Bridge Fund in the amount of \$124,835.

The Township should ensure all tax levy revenue is posted to the appropriate funds per the "Distribution of Receipts" report received from the County Auditor. Additionally, the Township should post receipts and expenditures to the proper funds.

Officials' Response: The Township will take care to post receipts to the proper place.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004

Finding for Adjustment, Noncompliance and Material Weakness

Ohio Rev. Code § 5705.131 states, in part, that a taxing authority of a subdivision may establish a nonexpendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. The principal of such fund may be invested, and the investment earnings on the principal shall be credited to the fund.

The Township did not have controls in place to ensure interest was properly posted to the Township's Permanent Funds. During 2017 and 2016, the Township did not post a portion of the interest earned for the checking account to Greenlawn or Vangelder Permanent funds. A portion of the fund balance for both funds was included in the checking account balance for both years and would be entitled to a portion of the interest earned. Also, during 2017, the Fiscal Officer closed the certificates of deposit and posted the interest earned on the Vangelder certificate of deposit to the General Fund in the amount of \$128.

The above adjustment has not been posted by the Township and is not reflected in the accompanying financial statements.

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 \$128, and in favor of the Vangelder Fund.

The Fiscal Officer should develop a reasonable method of allocation of the interest earned for the permanent funds. The interest earned on the Greenlawn, Lucas and Vangelder funds should be allocated to those funds.

Officials' Response: The Township will strive to correct this issue.

FINDING NUMBER 2017-005

Noncompliance and Material Weakness

Ohio Rev. Code § 149.43(B) states in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Additionally, management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation such as purchase orders, invoices, and vouchers for all disbursements.

The Township's voucher packages did not always contain the original invoice. We noted two non-payroll disbursements during 2017 amounting to \$11,924 that did not have the original invoice or other supporting documentation attached. During 2016, we noted one disbursement totaling \$1,005 that did not have the original invoice or other supporting documentation attached.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-005
(Continued)**

Noncompliance and Material Weakness – Ohio Rev. Code § 149.43(B) (Continued)

Failure to maintain the appropriate supporting documentation could allow payments to be made for items not received and allow other errors or irregularities to occur and remain undetected.

Supporting documentation should be maintained by the Fiscal Officer in accordance with record retention policies for each non-payroll disbursement including a voucher with the original invoice attached, purchase order information and any other supporting documentation applicable to the disbursement. Vouchers should not be approved by the Board of Trustees unless the original invoice is attached in order to ensure amounts paid agree to the applicable supporting documentation and that supporting documentation is present.

Officials' Response: The Township will ensure receipts (or supporting documentation, invoices, etc. as appropriate) are attached to payments (or receipts, if applicable).

FINDING NUMBER 2017-006

Noncompliance

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

Permanent appropriations were not passed by the Board in the minute record during fiscal year 2017 or 2016.

Expenditures exceeded appropriations in the following funds as a result of the Township Trustees not approving an annual appropriation measure in 2017:

Fund	Approved Permanent Appropriations	Expenditures	Variance
General	\$0	\$78,979	(\$78,979)
Motor Vehicle License Tax	0	20,777	(20,777)
Gasoline Tax	0	67,695	(67,695)
Road and Bridge	0	43,410	(43,410)
Cemetery	0	8,547	(8,547)
Permissive Sales Tax	0	108,422	(108,422)

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

**FINDING NUMBER 2017-006
(Continued)**

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

Expenditures exceeded appropriations in the following funds as a result of the Township Trustees not approving an annual appropriation measure in 2016:

Fund	Approved Permanent Appropriations	Expenditures	Variance
General	\$0	\$63,962	(\$63,962)
Motor Vehicle License Tax	0	17,079	(17,079)
Gasoline Tax	0	89,000	(89,000)
Road and Bridge	0	31,967	(31,967)
Cemetery	0	10,546	(10,546)
Permissive Sales Tax	0	70,181	(70,181)

The Township should ensure that permanent appropriations are passed by the Board and documented in the minute record. The Township should also regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the Township's budgetary process.

Officials' Response: The Township will strive to correct this issue.

FINDING NUMBER 2017-007

Material Weakness

Governmental Accounting Standards Board (GASB) Statement No. 54 ¶ 6 states, in part, that the nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. Further, ¶ 10 states, in part, that amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. The authorization specifying the purposes for which amounts can be used should have the consent of both the legislative and executive branches of the government, if applicable. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-007
(Continued)**

Material Weakness (Continued)

The Township has three permanent funds that the corpus is required to be maintained intact: Greenlawn Cemetery Bequest Fund in the amount of \$5,890, Lucas Bequest Fund in the amount of \$1,769, and Vangelder Bequest Fund in the amount of \$1,287. This portion of the fund balances for these funds should be classified as nonspendable rather than restricted. Additionally, The Township's restrictions on the Road and Bridge Fund is internally imposed by the Trustees as the levies collected for the Road and Bridge Fund are within the 10 mill limitation in accordance with Ohio Rev. Code § 5705.06 (F). Therefore, the Road and Bridge Fund balance should be classified as Committed rather than Restricted. In 2017, the Township improperly classified \$9,579 to Restricted in the Road and Bridge Fund rather than Committed and in 2016, the Township improperly classified \$22,158 to Restricted in the Road and Bridge Fund rather than Committed.

The adjustments to fund balances as noted above have been agreed to by Township management and are reflected in the accompanying financial statements.

The Township did not have an internal control process in place to ensure proper fund balance classification, which could result in a material financial statement misstatement.

The Township should review GASB 54 and Auditor of State Bulletin 2011-04 to ensure they are making the proper fund balance classifications.

Officials' Response: The Township will strive to correct this issue.

FINDING NUMBER 2017-008

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

All local public offices should 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 and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2018) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township does not have internal controls in place to help ensure receipts/expenditures are properly classified on the financial statements.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-008
(Continued)**

Material Weakness (Continued)

For the year ended December 31, 2017, the following errors were noted:

- Miscellaneous receipts totaling \$9,442 were improperly posted as Intergovernmental revenue within the General Fund.
- Manufactured homes taxes were improperly posted to Intergovernmental rather than Property and Other Local Taxes within the Road and Bridge Fund in the amount of \$1,281.
- Homestead and rollback receipts totaling \$7,989 were improperly posted as Property and Other Local Taxes rather than Intergovernmental revenue within the Road and Bridge Fund.
- Permissive sales tax revenue in the amount of \$99,588 from Washington County was improperly classified as Property and Other Local Taxes rather than Intergovernmental revenue within the Permissive Sales Tax Fund.
- Debt Service Interest payments were improperly posted as Debt Service Principal in the Road and Bridge Fund and Gasoline Tax Fund in the amounts of \$644 and \$1,051, respectively.

For the year ended December 31, 2016, the following errors were noted:

- Debt Service Principal and interest payments totaling \$6,747 and \$658, respectively, were improperly posted as \$4,186 General Government and \$3,219 Capital Outlay within the General Fund.
- Property taxes totaling \$33,582 were improperly posted as Intergovernmental revenue and should have been classified as Property and Other Local Taxes within the Road and Bridge Fund.
- Permissive sales tax revenue in the amount of \$104,770 from Washington County was improperly classified as Property and Other Local Taxes rather than Intergovernmental revenue within the Permissive Sales Tax Fund.
- Debt Service Interest payments were improperly posted as Debt Service Principal payments in the Road and Bridge Fund in the amount of \$1,722.
- Debt Service Principal payments were improperly posted as Public Works rather than Debt Service Principal totaling \$3,152 within the Gasoline Tax Fund.

The reclassifications noted above, with which management agrees, have been made and are reflected in the accompanying financial statements.

In addition to the reclassifications listed above, we also identified additional misstatements ranging from \$759 to \$2,604 in 2016 that we have brought to the Township's attention.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Township's financial position and operations.

The Fiscal Officer should refer to the Ohio Township Handbook for proper receipt and expenditure classifications and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's financial resources.

Officials' Response: The Township will take care to post receipts to the proper place.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-009

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting appropriations to the accounting system to provide information for budget versus actual comparison and to allow the Trustees to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriations in the accounting system provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Trustees are precisely stated and accurately posted to the accounting system.

The Fiscal Officer did not properly post appropriations, and any amendments made to them, to the accounting system. Variances existed between the approved appropriation resolutions to the amounts posted to the accounting system as no approval of appropriations was noted in the minute record.

The following variances occurred in 2017:

Fund	Approved Permanent Appropriations	Appropriation Amount Posted to the Accounting	Variance
General	\$0	\$93,900	(\$93,900)
Motor Vehicle License Tax	0	31,500	(31,500)
Gasoline Tax	0	85,500	(85,500)
Road and Bridge	0	67,000	(67,000)
Cemetery	0	12,500	(12,500)
Permissive Sales Tax	0	130,000	(130,000)

The following variances occurred in 2016:

Fund	Approved Permanent Appropriations	Appropriation Amount Posted to the Accounting System	Variance
General	\$0	\$98,250	(\$98,250)
Motor Vehicle License Tax	0	26,500	(26,500)
Gasoline Tax	0	110,500	(110,500)
Road and Bridge	0	43,000	(43,000)
Cemetery	0	13,000	(13,000)
Permissive Sales Tax	0	105,000	(105,000)

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-009
(Continued)**

Material Weakness (Continued)

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in the notes to the financial statements in order to accurately present appropriations since none were approved by the Township Trustees in the minute record.

The Fiscal Officer should record appropriations per the Appropriation Resolution as approved in the minute record, as well as all formally approved amendments. In addition, the Fiscal Officer should periodically present budget versus actual results to the Board of Trustees. As part of their monitoring responsibilities, the Board of Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend appropriations.

Officials' Response: The Township will strive to correct this issue.

FINDING NUMBER 2017-010

Material Weakness

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. This includes maintaining sufficient supporting documentation to support the classification, accuracy and completeness of receipts reported by the Township.

The Township was unable to provide the board approved fee schedule for fiscal year 2017 to support the amount charged for burials. Additionally, the support provided did not document the reason for the variation in charges for opening and closing fees (i.e. resident, non-resident).

The Township did not have internal controls in place to ensure that fees charged for burials were correct.

By not having an approved fee schedule in place, the fees charged for various burial expenses can vary and may result in lost revenue to the Township.

The Board of Trustees should formally approve the cemetery fee schedule, which includes grave purchases, opening and closing fees, and any additional fees. Additionally, the Fiscal Officer should maintain documentation for the grave opening and closing receipts received to support the placement on the fee schedule.

Officials' Response: The Township will strive to correct this issue.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-011

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for the lack of segregation of duties.

The small size of the Township's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important for the Board of Township Trustees to monitor financial activity closely and to follow up on any audit findings. This monitoring should be performed by reviewing and initialing a financial packet on a monthly basis. The financial packet should consist of at a minimum the monthly bank reconciliation (which includes cleared payments and receipts), monthly fund status report and monthly budget versus actual statement.

While the Trustees approved purchase orders and signed all issued checks, we noted the Board of Township Trustees did not receive monthly bank reconciliations, fund status reports, or budget versus actual statements. The Board's lack of effective monitoring resulted in various issues occurring and remaining undetected, such as errors in the Township's reconciliations, payments not made in a timely manner, and deposits not being made in a timely fashion,. Also, without formally approving and reviewing financial records and reports, the Board may not be fully aware of the financial status of the Township.

The Township Fiscal Officer should prepare monthly financial reports, which include bank reconciliations, fund status report, revenue status reports, and appropriation status reports. The Board should formally review and approve these monthly reports, and note the Board's approval in the minutes. Monthly financial reports should be signed by the Board members to indicate each member's review and approval. In addition, the Board should periodically review the Township's books to ensure they are posted up to date and are in balance. Furthermore, the Board should monitor that all Township obligations are being paid in a timely fashion during these reviews and their approval of Township vouchers.

Officials' Response: The Township will strive to correct this issue.

Adams Township, Washington County
P.O. Box 384
Lowell, Ohio 45744

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 5705.10(D) for not properly posting receipts.	Not Corrected	The Township will take more care to post receipts to the proper funds. The Township cannot afford to post these adjustments at this time.
2015-002	Ohio Rev. Code § 505.24(C) for paying Trustees out of funds other than the General Fund without proper documentation.	Not Corrected	The Township will begin using certifications to be in compliance with the requirements. The Township cannot afford to post these adjustments at this time.
2015-003	Ohio Rev. Code § 5705.41(D) for not encumbering properly.	Partially Corrected	The Township has taken steps to issue purchase orders more timely. We will continue to try to improve in this area.

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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
DECEMBER 27, 2018**