



Dave Yost • Auditor of State

ADAMS TOWNSHIP
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2012	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Adams Township
Darke County
8643 Childrens Home Bradford Road
Bradford, OH 45308

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Adams Township, Darke County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012 or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Adams Township, Darke County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2014

**ADAMS TOWNSHIP
DARKE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$26,803	\$171,002	\$197,805
Licenses, Permits and Fees		4,574	4,574
Intergovernmental	52,814	121,102	173,916
Earnings on Investments	59	13	72
Miscellaneous	125	1,731	1,856
Total Cash Receipts	<u>79,801</u>	<u>298,422</u>	<u>378,223</u>
Cash Disbursements:			
Current:			
General Government	58,286	29,900	88,186
Public Safety		95,991	95,991
Public Works	332	133,090	133,422
Health	19,845		19,845
Capital Outlay	1,860	119	1,979
Total Cash Disbursements	<u>80,323</u>	<u>259,100</u>	<u>339,423</u>
Excess of Receipts Over (Under) Disbursements	<u>(522)</u>	<u>39,322</u>	<u>38,800</u>
Other Financing Receipts (Disbursements):			
Transfers In		2,600	2,600
Transfers Out	(2,600)		(2,600)
Advances In	17,300	17,300	34,600
Advances Out	(17,300)	(17,300)	(34,600)
Total Other Financing Receipts (Disbursements)	<u>(2,600)</u>	<u>2,600</u>	<u></u>
Net Change in Fund Cash Balances	(3,122)	41,922	38,800
Fund Cash Balances, January 1	<u>3,793</u>	<u>90,732</u>	<u>94,525</u>
Fund Cash Balances, December 31:			
Restricted		132,654	132,654
Assigned	671		671
Fund Cash Balances, December 31	<u>\$671</u>	<u>\$132,654</u>	<u>\$133,325</u>

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

**ADAMS TOWNSHIP
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$26,572	\$170,988	\$197,560
Licenses, Permits and Fees		2,448	2,448
Intergovernmental	32,037	120,664	152,701
Earnings on Investments	77	49	126
Miscellaneous		283	283
Total Cash Receipts	<u>58,686</u>	<u>294,432</u>	<u>353,118</u>
Cash Disbursements:			
Current:			
General Government	54,430	26,808	81,238
Public Safety		112,982	112,982
Public Works	10,499	158,950	169,449
Health	20,592		20,592
Capital Outlay		95,570	95,570
Total Cash Disbursements	<u>85,521</u>	<u>394,310</u>	<u>479,831</u>
Excess of Receipts Over (Under) Disbursements	<u>(26,835)</u>	<u>(99,878)</u>	<u>(126,713)</u>
Other Financing Receipts (Disbursements):			
Sale of Fixed Assets		42,500	42,500
Advances In	9,000	22,750	31,750
Advances Out	<u>(22,750)</u>	<u>(9,000)</u>	<u>(31,750)</u>
Total Other Financing Receipts (Disbursements)	<u>(13,750)</u>	<u>56,250</u>	<u>42,500</u>
Net Change in Fund Cash Balances	(40,585)	(43,628)	(84,213)
Fund Cash Balances, January 1	<u>44,378</u>	<u>134,360</u>	<u>178,738</u>
Fund Cash Balances, December 31:			
Restricted		90,732	90,732
Assigned	3,793		3,793
Fund Cash Balances, December 31	<u>\$3,793</u>	<u>\$90,732</u>	<u>\$94,525</u>

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

**ADAMS TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Adams Township, Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and zoning services. The Township contracts with the Bradford Fire Department and Gettysburg Fire Department to provide fire services.

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

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**ADAMS TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fire District Fund – This fund receives property tax money to pay the fire protection services contracts.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

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. Non-spendable

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.

**ADAMS TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

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:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$113,824	\$75,032
STAR Ohio	19,501	19,493
Total deposits	<u>133,325</u>	<u>94,525</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**ADAMS TOWNSHIP
DARKE COUNTY**

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

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,386	\$97,101	\$21,715
Special Revenue	303,377	318,322	14,945
Total	<u>\$378,763</u>	<u>\$415,423</u>	<u>\$36,660</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,322	\$100,223	(\$27,901)
Special Revenue	361,392	276,400	84,992
Total	<u>\$433,714</u>	<u>\$376,623</u>	<u>\$57,091</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,758	\$67,686	(\$20,072)
Special Revenue	292,536	359,682	67,146
Total	<u>\$380,294</u>	<u>\$427,368</u>	<u>\$47,074</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,636	\$108,271	(\$18,635)
Special Revenue	426,897	403,310	23,587
Total	<u>\$516,533</u>	<u>\$511,581</u>	<u>\$4,952</u>

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.

**ADAMS TOWNSHIP
DARKE COUNTY**

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

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.

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.

A. Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

B. Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

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

**ADAMS TOWNSHIP
DARKE COUNTY**

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

6. RISK MANAGEMENT (Continued)

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

Contributions to OARMA	
2013	2012
<u>\$4,658</u>	<u>\$4,388</u>

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. COMPLIANCE

The Township did not comply with Ohio Rev. Code Sections 505.24(C) and 507.09(C) related to the pay of officials' compensation from non-general funds. The Township also did not comply with Ohio Rev. Code Section 5705.10(F) related to the sale of property.



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
Darke County
8643 Childrens Home Bradford Road
Bradford, Ohio 45308

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 Adams Township, Darke County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 18, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 through 2013-005 described in the accompanying schedule of findings 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 2013-001, 2013-002 and 2013-005.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2014

ADAMS TOWNSHIP
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code §5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding 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.
- C. Super Blanket Certificate** - The Township may also make expenditures and contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly encumber three of seventeen (18%) expenditures tested for 2013 and 2012 and the aforementioned exceptions were not utilized appropriately. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Additionally, the Township did not have a formal policy in place for blanket purchase orders.

**FINDING NUMBER 2013-001
(Continued)**

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, the Township's Fiscal Officer should certify that funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification may be used, if appropriate.

The Township should implement procedures to provide that all purchases that require prior certification are properly encumbered or meet one of the exceptions noted above. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time a commitment is incurred and only when the requirements of 5705.41(D) are satisfied. The Township should also adopt a formal blanket purchase order policy that outlines a maximum amount for blanket purchase orders.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness

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

Ohio Rev. Code §507.09(C) states, in part, a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

Auditor of State Bulletin 2013-002 further explains these statutory requirements. Because township officials are required to attend board meetings in order to conduct the regular business of the township, as the Bulletin indicates, attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

The Township's Trustees certified the percentage of time spent working on matters related to various Township funds for each month during the audit period. However, for all of 2012 and the first six months of 2013, the Trustees' certifications included no allocation to the General Fund. For the last six months of 2013, 10% of each Trustee's activity was certified as General Fund-related and the remaining 90% was certified to other funds. The Trustees' salaries were paid in accordance with these certifications.

FINDING NUMBER 2013-002
(Continued)

Given the timing of the above noted Audit Bulletin, a portion of Trustees' salaries should have also been paid from the General Fund in the first six months of 2013. For consistency purposes, we have allocated 10% of Trustee salaries to the General Fund in the first six months of 2013. This resulted in fund balance adjustments as the Township's 2013 General Fund expenditures were understated by \$1,274 and the Road and Bridge Fund expenditures were overstated by the same amount. Additionally, throughout 2013, the cost of Trustee medical and dental insurance premiums were not allocated in accordance with the certifications noted above. This resulted in an understatement of General Fund and Road and Bridge Fund expenditures in the amount of \$1,520 and \$6,928, respectively. Gas Tax Fund expenditures were overstated by \$8,448.

The Fiscal Officer's salary was paid entirely from the General Fund for 2013 and 2012. There were no certifications completed during the audit period for the Fiscal Officer; however, the cost of the Fiscal Officer's medical and dental insurance premiums was allocated to restricted funds. For 2013, this resulted in an understatement of General Fund expenditures in the amount of \$24,174 and an overstatement of Gas Tax Fund expenditures and Road and Bridge Fund expenditures in the amount of \$10,871 and \$13,303, respectively. For 2012, this resulted in an understatement of General Fund expenditures in the amount of \$19,942 and an overstatement of Gas Tax Fund expenditures and Road and Bridge Fund expenditures in the amount of \$13,826 and \$6,116, respectively.

The Township's accompanying financial statements and system fund balances have been adjusted to correct all of the errors noted above.

Failure to properly allocate officials' compensation and insurance premium costs in accordance with the above ORC sections, Auditor of State Bulletin 2013-002, and certifications could lead to misallocation of funds, misstated financial statements, and overspending of the Township's budget.

The Township should implement procedures to properly allocate compensation and insurance premium costs based upon the requirements in the ORC sections noted above, guidance from Auditor of State Bulletin 2013-002, and certifications prepared by Township officials to provide for accurate fund balances.

FINDING NUMBER 2013-003

Material Weakness – Financial Statement Errors

The Township did not properly record financial activity for 2013 and 2012 in the following amounts:

- Homestead and rollback was posted incorrectly as tax revenue rather than intergovernmental revenue for the General Fund and Special Revenue Funds in 2013 and 2012. The error amount for General Fund was \$4,205 and \$4,122 for 2013 and 2012, respectively. The error amount for Special Revenue Funds was \$23,222 and \$22,994 for 2013 and 2012, respectively.
- Tangible personal property tax of \$1,529 due to the Road and Bridge Fund during 2013 was incorrectly posted to the General Fund.

The Township's accompanying financial statements and system fund balances, where applicable, have been adjusted to correct the above errors.

FINDING NUMBER 2013-003
(Continued)

Failure to properly record financial activity could result in inaccurate financial statements, future audit adjustments, and decisions made by the Township Trustees based on inaccurate financial information.

The Township should implement control procedures related to recording of Township financial activity to provide that all financial activity is recorded correctly. The Township should utilize the UAN manual to aid in recording financial activity.

FINDING NUMBER 2013-004

Material Weakness – Advances

Advances are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment. **Auditor of State Bulletin 97-003** states that advances must be approved by a formal resolution of the Trustees, including a specific statement that the transaction is an advance and an indication of the fund from which it is expected the repayment will be made. If the Trustees later determine that an advance should be treated as a transfer, the Trustees should formally approve the transfer and the Township records should be adjusted accordingly. The Township performed the following advance transactions incorrectly during the audit period:

- An advance in the amount of \$22,750 from the General Fund to the Gasoline Tax Fund occurred during 2012. This advance was not approved by the Trustees.
- Just prior to year-end 2012, an advance of \$9,000 was made from the Gasoline Tax Fund to the General Fund as a partial repayment of the above advance. The remaining outstanding amount of \$13,750 was outstanding at December 31, 2012 and throughout all of 2013.
- Advances in the amount of \$12,000 and \$3,100 from the General Fund to the Gasoline Tax Fund and Permissive Motor Vehicle License Tax Fund, respectively, occurred during 2013; although advances involving these funds were approved by the Trustees, the approval did not include the amount of the advances. All 2013 advances were then properly repaid prior to year-end 2013.

Failure by the Township to approve all advances could lead to the movement of money without the knowledge or wishes of the Township's decision-makers. Failure to repay all advances in a timely manner could allow unresolved advances and money in funds not intended by the Township's decision makers.

The Township should establish procedures to provide that all advances are approved by formal resolution. If the Township does not intend to repay the outstanding advance of \$13,750 due to the General Fund from the Gasoline Tax Fund, the Trustees should approve to convert this unpaid advance to a transfer. For guidance on advance transactions, the Township should review Auditor of State Bulletin 97-003.

FINDING NUMBER 2013-005

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.10(F) states, in part, that proceeds from the sale of property other than a permanent improvement shall be paid into the fund from which such property was acquired or is maintained or, if there is no such fund, into the general fund.

During 2012, the Township sold a tractor for \$42,500. The tractor was previously purchased by the Township in 2006 with gasoline tax funds; however, the Township incorrectly booked the asset sale proceeds entirely to the general fund. Additionally, the Township incorrectly booked this revenue as intergovernmental revenue. The Township's 2012 financial statement has been adjusted to correctly record this revenue as a sale of fixed assets in the gasoline tax fund.

Failure to record an asset sale to the fund that originally purchased the asset could lead to significant fund balance errors and materially misstated financial statements.

The Township should record any asset sale in accordance with the applicable revised code section to properly present the applicable fund balances. Additionally, the Township should refer to the UAN manual to aid in recording financial activity.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

This page intentionally left blank.



Dave Yost • Auditor of State

ADAMS TOWNSHIP

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**