

**ADAMS TOWNSHIP
WASHINGTON COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Adams Township, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Adjustments

1. Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code §§ 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. Prior to House Bill 153 compensation of a township trustee was to be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered.

During 2010, the Township paid \$4,583 of the Trustees' insurance reimbursements out of the Road and Bridge Fund and \$891 of Township's share of retirement payments from the Gasoline Tax Fund, Special Revenue Fund types. Since the Trustees' salaries were paid 100% from the General Fund, these payments for fringe benefits should follow the payment for salaries. During 2011, the Township paid \$300 of a Trustee's insurance reimbursement from the Gasoline Tax Fund, Special Revenue Fund type, instead of pro-rating the payment to the General Fund to coincide with the Trustee's timesheet charges. The cumulative amount that should have been paid out of the General Fund for the insurance reimbursements and employer's share of fringe benefits was \$5,774. The Township declined to make this adjustment.

Because the Township has failed to post adjustments to the Township records based on the citations in the previous audits, the amounts cited in the previous finding for adjustments have accumulated. In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.38, we hereby issue a finding for adjustment in the amount of \$5,774 against the General Fund and in favor of the Gasoline Tax Fund in the amount of \$1,191 and the Road and Bridge Fund, in the amount of \$4,583. The Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

2. Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code §§ 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. Prior to House Bill 153 compensation of a township trustee was to be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered.

Although previous audits had indicated that trustee compensation should be allocated and certified, the Township has failed to maintain such documentation of Trustee time.

During 2012, the Township paid \$6,871 of the Trustees' salaries and insurance reimbursements out of the Road and Bridge Fund, \$18,898 from the Gasoline Tax Fund, and \$4,953 from the Motor Vehicle License Tax Fund. During 2013, the Township paid \$8,490 of the Trustees' salaries and insurance reimbursements from the Motor Vehicle License Tax Fund and \$26,979 from the Gasoline Tax Fund. The cumulative amount that should have been paid out of the General Fund for the salaries and insurance reimbursement was \$66,191. The Township declined to make this adjustment.

Because the Township has failed to post adjustments to the Township records based on the citations in the previous audits, the amounts cited in the previous finding for adjustments have accumulated. In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.38, we hereby issue a finding for adjustment in the amount of \$66,191 against the General Fund and in favor of the Gasoline Tax Fund in the amount of \$45,877, the Motor Vehicle License Tax Fund in the amount of \$13,443, and the Road and Bridge Fund, in the amount of \$6,871. The Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

3. 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.

During the prior audit period, the Township posted homestead and rollback monies entirely to the General Fund. The amount that should have been posted to the Road and Bridge Fund was \$14,361. The Township declined to post the adjustment necessary in the prior audit.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.38, we hereby issue a finding for adjustment in the amount of \$14,361 against the General Fund and in favor of the Road and Bridge Fund. The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

Board of Trustees
Adams Township
Page 3

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Adams Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 17, 2015

This page intentionally left blank.

**ADAMS TOWNSHIP
WASHINGTON 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	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Notes to the Financial Statements	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Audit Findings	15
Schedule of Prior Audit Findings	17

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

December 30, 2014

Adams Township
Washington County
PO Box 384
Lowell, Ohio 45744

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of **Adams Township**, Washington 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

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

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B 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 described in *the Basis for Adverse Opinion on the U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, Adams Township as of and for the year ended December 31, 2013 and 2012 or changes in financial position thereof for the years ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

In 2012, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2012. The trustees were paid \$4,953 from the Motor Vehicle License Tax Fund, \$13,443 from the Gasoline Tax Fund, and \$3,538 from the Road and Bridge Fund, Special Revenue Fund type. The Fiscal Officer was also paid \$2,122 from the Gasoline Tax Fund, Special Revenue Fund type instead of the General Fund. Additionally, the trustees' insurance reimbursement was paid from the Gasoline Tax Fund and Road and Bridge Fund, Special Revenue Fund type totaling \$6,666 instead of the General Fund. The Township declined to make these adjustments.

In 2013, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2013. The trustees were paid \$8,490 from the Motor Vehicle License Tax Fund and \$16,980 from the Gasoline Tax Fund. Additionally, the trustees' insurance reimbursement was paid from the Gasoline Tax Fund totaling \$9,999 instead of the General Fund. The Township declined to make these adjustments.

Also, adjustments were proposed in the previous audit report and the township declined to make these adjustments totaling \$20,135.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Adams Township, Washington 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 1B.

Emphasis of Matter

As discussed in Note 9, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments due to the General Fund's cash balance not being sufficient to support the adjustments. Management's plan in regards to these financial difficulties is described in Note 9 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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.



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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 14,031	\$ 126,453	\$ -	\$ 140,484
Licenses, Permits and Fees	-	9,850	-	9,850
Intergovernmental	22,981	126,731	-	149,712
Earnings on Investments	29	29	239	297
Miscellaneous	833	1,500	-	2,333
<i>Total Cash Receipts</i>	<u>37,874</u>	<u>264,563</u>	<u>239</u>	<u>302,676</u>
Cash Disbursements				
Current:				
General Government	25,479	18	-	25,497
Public Works	-	228,353	-	228,353
Health	5,625	2,089	-	7,714
Debt Service:				
Principal Retirement	-	8,084	-	8,084
Interest and Fiscal Charges	-	849	-	849
<i>Total Cash Disbursements</i>	<u>31,104</u>	<u>239,393</u>	<u>-</u>	<u>270,497</u>
<i>Net Change in Fund Cash Balances</i>	6,770	25,170	239	32,179
<i>Fund Cash Balances, January 1</i>	<u>8,876</u>	<u>91,136</u>	<u>20,371</u>	<u>120,383</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	19,948	19,948
Restricted	-	116,306	662	116,968
Unassigned	15,646	-	-	15,646
<i>Fund Cash Balances, December 31</i>	<u>\$ 15,646</u>	<u>\$ 116,306</u>	<u>\$ 20,610</u>	<u>\$ 152,562</u>

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 12,710	\$ 91,838	\$ -	\$ 104,548
Licenses, Permits and Fees	-	8,837	-	8,837
Intergovernmental	31,663	154,653	-	186,316
Earnings on Investments	23	53	423	499
Miscellaneous	1,462	900	-	2,362
<i>Total Cash Receipts</i>	<u>45,858</u>	<u>256,281</u>	<u>423</u>	<u>302,562</u>
Cash Disbursements				
Current:				
General Government	41,545	4,544	-	46,089
Public Works	-	244,232	-	244,232
Health	4,640	18,326	-	22,966
Capital Outlay	-	88	-	88
Debt Service:				
Principal	-	7,715	-	7,715
Interest and Fiscal Charges	-	1,218	-	1,218
<i>Total Cash Disbursements</i>	<u>46,185</u>	<u>276,123</u>	<u>-</u>	<u>322,308</u>
<i>Net Change in Fund Cash Balances</i>	(327)	(19,842)	423	(19,746)
<i>Fund Cash Balances, January 1</i>	<u>9,203</u>	<u>110,978</u>	<u>19,948</u>	<u>140,129</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	19,948	19,948
Restricted	-	91,136	423	91,559
Unassigned (Deficit)	8,876	-	-	8,876
<i>Fund Cash Balances, December 31</i>	<u>\$ 8,876</u>	<u>\$ 91,136</u>	<u>\$ 20,371</u>	<u>\$ 120,383</u>

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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, Washington County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including the regulation of zoning, road and bridge maintenance, and cemetery services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. Note 7 to the financial statements provides additional information for this entity. This organization is a:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis 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

All deposits are maintained in an interest-bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 in another fund.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

3. Permanent Fund

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

Assigned funds 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* amount 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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand Deposits	\$ 152,562	\$ 120,383
Total Deposits	\$ 152,562	\$ 120,383

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 51,276	\$ 37,874	\$ (13,402)
Special Revenue	352,807	264,563	(88,244)
Permanent	-	239	239
Total	\$ 404,083	\$ 302,676	\$ (101,407)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$ 51,276	\$ 31,104	\$ 20,172
Special Revenue	324,356	239,393	84,963
Total	\$ 375,632	\$ 270,497	\$ 105,135

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 62,469	\$ 45,858	\$ (16,611)
Special Revenue	311,737	256,281	(55,456)
Permanent	-	423	423
Total	\$ 374,206	\$ 302,562	\$ (71,644)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$ 62,469	\$ 46,185	\$ 16,284
Special Revenue	311,737	276,123	35,614
Total	\$ 374,206	\$ 322,308	\$ 51,898

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

4. PROPERTY TAX

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

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
John Deere Tractor	\$ 15,003	4.38%
Total	\$ 15,003	

The Township issued a promissory note from Citizen's Bank to finance the purchase of a John Deere Tractor for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

	Promissory Notes
Year ending December 31:	
2014	\$8,933
2015	6,700
Total	\$15,633

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-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. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

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

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

7. RISK MANAGEMENT (CONTINUED)

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

Casualty and Property Coverage

APEEP provides OTARMA 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.

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	<u>8,486,363</u>	<u>9,355,082</u>
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

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 944 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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

7. RISK MANAGEMENT (CONTINUED)

Financial Position (Continued)

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,373	\$4,260

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

8. 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.

9. Financial Difficulties

At December 31, 2013, the following funds had adjustments which the Township declined to make in the following amounts (the table also includes adjustments from 2011 and 2010 that the management of the Township declined to make):

Fund	12/31/2013 Balance	Adjustments Not Made	Effect on 12/31/2013 Balance
General	\$ 15,646	\$ (86,325)	\$ (70,679)
Special Revenue	\$ 116,305	\$ 86,325	\$ 202,630

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

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

December 30, 2014

Adams Township
Washington County
PO Box 384
Lowell, Ohio 45744

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Adams Township**, Washington 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 December 30, 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. We expressed an adverse opinion on the 2013 and 2012 financial statements due to certain misstatements of expenditures in the financial statements.

Internal Control Over Financial Reporting

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

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

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

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 30, 2014.

Purpose of this Report

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



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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness

Posting Receipts, Disbursements and Fund Balance Classification

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund Balances should be properly classified based on Governmental Accounting Board Statement No. 54.

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

- Rollback Tax incorrectly classified to Tax instead of Intergovernmental in 2013 and 2012.
- Gasoline Tax incorrectly classified to Miscellaneous instead of Intergovernmental in 2012.
- Principal payments on the tractor loan were incorrectly classified as Interest and Other Fiscal Charges instead of Principal Retirement in 2013 and 2012.
- Nonspendable balance was incorrectly classified as restricted in the Permanent Fund in 2013 and 2012.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications and adjustments. The financial statements reflect all reclassifications and the adjustments.

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

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

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

FINDING NUMBER 2013-002

Material Weakness/Noncompliance Citation

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2013-002 (Continued)

Material Weakness/Noncompliance Citation (Continued)

In 2012, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2012. The trustees were paid \$4,953 from the Motor Vehicle License Tax Fund, \$13,443 from the Gasoline Tax Fund, and \$3,538 from the Road and Bridge Fund, Special Revenue Fund type. Additionally, the trustees' insurance reimbursement was paid from the Gasoline Tax Fund and Road and Bridge Fund, Special Revenue Fund type totaling \$6,666 instead of the General Fund.

In 2013, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustees salaries should have been paid from the General Fund for 2013. The trustees were paid \$8,490 from the Motor Vehicle License Tax Fund and \$16,980 from the Gasoline Tax Fund. Additionally, the trustees' insurance reimbursement was paid from the Gasoline Tax Fund totaling \$9,999 instead of the General Fund.

Ohio Rev. Code Section 507.09 sets forth a township fiscal officer's compensation.

As the Fiscal Officer's duties are administrative in nature, and the Gasoline Tax Fund may not be used to pay general administrative services, the Fiscal Officer's salary and benefits should therefore be paid from the Township's General Fund.

The Fiscal Officer was paid \$2,122 from the Gasoline Tax Fund, Special Revenue Fund type instead of the General Fund.

We recommend all elected officials' salaries and insurance reimbursements be paid according to administrative procedures established to document the proportional amount of elected officials' salaries chargeable to other township funds.

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	ORC Section 505.24(C)	No	Not Corrected; Re-issued as Finding 2013-002
2011-002	ORC Section 5705.10(D)	N/A	The Finding for Adjustment has not been posted to the Township's accounting system.
2011-003	ORC Section 5705.41(D)(1)	Yes	Corrected
2011-004	Budgetary amounts approved by the Board of Trustees and Budget Commission not agreeing to amounts posted to the Township's accounting system	No	Partially Corrected; moved to Management Letter
2011-005	Misposting of receipts and disbursements	No	Partially Corrected; Re-issued as part of Finding 2013-001



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
MAY 7, 2015**