



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, 2015	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Summary Schedule of Prior Audit Findings	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Adams Township
Darke County
100 Park Street
Gettysburg, Ohio 45328

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our 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, 2015 and 2014, 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, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Township posted adjustments to their General Fund resulting in a negative fund balance of (\$4,935) as of December 31, 2015. Note 8 describes Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Also, as discussed in Note 9 to the financial statements, the 2014 financial statements have been restated to correct a misstatement to beginning balance. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 12, 2017

This page intentionally left blank.

**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, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$32,790	\$192,867	\$225,657
Licenses, Permits and Fees	2,412	1,300	3,712
Intergovernmental	28,555	124,825	153,380
Earnings on Investments	63	42	105
Miscellaneous	327		327
Total Cash Receipts	<u>64,147</u>	<u>319,034</u>	<u>383,181</u>
Cash Disbursements			
Current:			
General Government	38,706	15,064	53,770
Public Safety		90,142	90,142
Public Works		179,272	179,272
Health	17,681		17,681
Capital Outlay	1,500	2,500	4,000
Total Cash Disbursements	<u>57,887</u>	<u>286,978</u>	<u>344,865</u>
Net Change in Fund Cash Balances	6,260	32,056	38,316
Fund Cash Balances, January 1	<u>(11,195)</u>	<u>132,936</u>	<u>121,741</u>
Fund Cash Balances, December 31:			
Restricted		108,390	108,390
Committed		56,602	56,602
Unassigned (Deficit)	<u>(4,935)</u>		<u>(4,935)</u>
Fund Cash Balances, December 31	<u><u>(\$4,935)</u></u>	<u><u>\$164,992</u></u>	<u><u>\$160,057</u></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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$26,998	\$174,816	\$201,814
Licenses, Permits and Fees	3,087	599	3,686
Intergovernmental	15,300	115,029	130,329
Earnings on Investments	65	14	79
Miscellaneous	138	2,155	2,293
Total Cash Receipts	<u>45,588</u>	<u>292,613</u>	<u>338,201</u>
Cash Disbursements:			
Current:			
General Government	59,160	364	59,524
Public Safety		121,911	121,911
Public Works		146,908	146,908
Health	20,326		20,326
Capital Outlay	1,094	24	1,118
Total Cash Disbursements	<u>80,580</u>	<u>269,207</u>	<u>349,787</u>
Excess of Receipts Over (Under) Disbursements	<u>(34,992)</u>	<u>23,406</u>	<u>(11,586)</u>
Other Financing Receipts (Disbursements):			
Advances In	13,750		13,750
Advances Out		(13,750)	(13,750)
Total Other Financing Receipts (Disbursements)	<u>13,750</u>	<u>(13,750)</u>	<u></u>
Net Change in Fund Cash Balances	(21,242)	9,656	(11,586)
Fund Cash Balances, January 1, restated	<u>10,047</u>	<u>123,280</u>	<u>133,327</u>
Fund Cash Balances, December 31:			
Restricted		88,968	88,968
Committed		43,968	43,968
Unassigned (Deficit)	(11,195)		(11,195)
Fund Cash Balances, December 31	<u>(\$11,195)</u>	<u>\$132,936</u>	<u>\$121,741</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, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Adams Township, 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

**ADAMS TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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 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 re-appropriated in the subsequent year.

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

F. Fund Balance

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

1. Non-spendable

The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

**ADAMS TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

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>2015</u>	<u>2014</u>
Demand deposits	\$140,529	\$102,234
STAR Ohio	19,528	19,507
Total deposits and investments	<u>\$160,057</u>	<u>\$121,741</u>

**ADAMS TOWNSHIP
DARKE COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

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

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,863	\$64,147	\$23,284
Special Revenue	296,431	319,034	22,603
Total	<u>\$337,294</u>	<u>\$383,181</u>	<u>\$45,887</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,114	\$57,887	(\$21,773)
Special Revenue	422,920	286,978	135,942
Total	<u>\$459,034</u>	<u>\$344,865</u>	<u>\$114,169</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,833	\$59,338	\$18,505
Special Revenue	308,459	292,613	(15,846)
Total	<u>\$349,292</u>	<u>\$351,951</u>	<u>\$2,659</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,563	\$80,580	\$15,983
Special Revenue	386,049	282,957	103,092
Total	<u>\$482,612</u>	<u>\$363,537</u>	<u>\$119,075</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, 2015 AND 2014
(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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% 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, 2015.

6. RISK MANAGEMENT

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

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

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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2015 and 2014:

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

**ADAMS TOWNSHIP
DARKE COUNTY**

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

6. RISK MANAGEMENT (Continued)

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$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.

Contributions to OTARMA	
2015	2014
<u>\$4,572</u>	<u>\$4,454</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' benefits from non-general funds.

The Township did not comply with Ohio Rev. Code Section 5705.10(C) related to improper expenditures from restricted funds.

8. DEFICIT FUND BALANCE

As the result of adjustments being posted that are a direct result of expenditures being improperly posted throughout 2015 and 2014, the General Fund had a negative balance of (\$4,935) as of December 31, 2015.

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists, and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code.

Management's Plan Regarding Deficit Fund Balance

**ADAMS TOWNSHIP
DARKE COUNTY**

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

8. DEFICIT FUND BALANCE (Continued)

The Township will develop a reasonable allocation that will allow for payment of expenditures for general government services from funds other than the General Fund. Additionally, the trustees and fiscal officer will verify that all expenditures are made from the proper fund prior to authorizing payment. The Township will also allocate payments for medical and dental insurance premiums and health insurance reimbursements in accordance with the salary certifications provided by the trustees and fiscal officer every month.

9. RESTATEMENT OF FUND BALANCE

In the prior period, the Township Zoning fund was recorded as a Special Revenue Fund. This fund should be presented with the General Fund in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54 since there are no externally imposed constraints on the revenue sources as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54 Paragraph 30 (Codification 1300.105) and Auditor of State Bulletin 2011-004. This had the following effect on fund balances previously reported:

	Fund Balance at January 1, 2014	Restatement	Restated Fund Balance at January 1, 2014
General Fund	\$672	\$9,375	\$10,047
Special Revenue	\$132,655	(\$9,375)	\$123,280

10. SUBSEQUENT EVENTS

- a. In April 2016, the Township passed a resolution approving participation in a multi-township OPWC paving project that will be facilitated by the Darke County Engineer. The projected cost to the Township is \$91,289.
- b. In June 2016, the Township approved a contract with Ray Hensley, Inc for a chip seal project. The work was completed and paid during September 2016 with a final cost of \$67,995.
- c. In March 2016, the voters approved a renewal of a Fire and EMS tax at a rate of one (1.0) mills for each dollar of valuation for five years commencing in 2016, first due in calendar year 2017.
- d. In November 2016, the voters approved a new Fire and EMS tax at a rate of one (3.0) mills for each dollar of valuation for five years commencing in 2016, first due in calendar year 2017.

This page intentionally left blank.



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
100 Park Street
Gettysburg, Ohio 45328

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, Darke County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township had a deficit balance in the general fund as discussed in Note 8 to the financial statements; and the 2014 financial statements were restated to correct a misstatement to beginning balance as discussed in Note 9.

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 2015-001 through 2015-003 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 2015-001, 2015-002, and 2015-004.

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 audit the Township's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 12, 2017

**ADAMS TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness and Non-Compliance

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.

Ohio Rev. Code § 507.09(E) 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 states that township officials are required to attend board meetings in order to conduct the regular business of the township. 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. Throughout 2014 and 2015 the cost of Trustee and Fiscal Officer medical and dental insurance premiums were not allocated in accordance with the certifications noted above. Additionally, one Trustee received health insurance reimbursements rather than participating in the health care plan provided by the Township. This reimbursement was not paid in accordance with the salary certification.

This resulted in the Township's 2015 General Fund expenditures being understated by \$6,698; Road and Bridge Fund expenditures being overstated by \$2,876, and the Gasoline Tax Fund expenditures being overstated by \$3,822. Additionally, the Township's 2014 General Fund expenditures were understated by \$10,095; Road and Bridge Fund expenditures were understated by \$16,867; and the Gasoline Tax Fund expenditures were overstated by \$26,962. The Township's accompanying financial statements and accounting system fund balances have been adjusted to correct these errors.

Failure to properly allocate officials' 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 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.

Officials' Response: Medical, Dental and HRA expenditures are now being allocated according to the Trustees salary certifications with 5% coming from the General Fund and 95% coming from Road and Bridge Fund.

FINDING NUMBER 2015-002

Material Weakness and Non-Compliance

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. Additionally, **Ohio Rev. Code Section 5705.10(D)** states in part, that except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, 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.

The Township established the following Special Revenue funds to account for special levy proceeds that were approved by the voters or proceeds are restricted for specific purpose:

- Fire District Fund to account for 3.0 mill in fire levies
- Road and Bridge Fund to account for 1.5 mills in road levies

During 2015 the Township paid the following expenditures from restricted funds whose purpose was contrary to the restriction of the fund:

- Fire District Fund was used to pay \$14,458 in road construction and repairs.
- Road and Bridge Fund was used to pay 100% of the \$4,572 Ohio Township Association Risk Management Authority (OTARMA) property & liability insurance premium. The insurance covers the Township for general government activity. For this reason payment for the insurance should have been partially allocated to the General Fund.
- Road and Bridge Fund was used to pay 100% of \$2,559 in utility payments to Dayton Power and Light for electric services, Vectren Energy Delivery for gas services, and the Village of Gettysburg for water and sewer services. Utilities for the Township are for general government activity. For this reason payment for the utilities should have been partially allocated to the General Fund.

Due to the above noted mis-postings General Fund expenditures were understated by \$21,589; Road and Bridge Fund expenditures were overstated by \$7,131; and Fire District fund expenditures were overstated by \$14,458.

Similarly, during 2014 the Township paid the following expenditures from restricted funds whose purpose was contrary to the restriction of the fund:

- Road and Bridge Fund was used to pay 100% of the \$4,454 OTARMA property & liability insurance premium. The insurance covers the Township for general government activity. For this reason payment for the insurance should have been partially allocated to the General Fund.
- Road and Bridge Fund was used to pay 100% of \$2,933 in utility payments to Dayton Power and Light for electric services, Vectren Energy Delivery for gas services, and the Village of Gettysburg for water and sewer services. Utilities for the Township are for general government activity. For this reason payment for the utilities should have been partially allocated to the General Fund.

Due to the above noted mis-postings General Fund expenditures were understated by \$7,387 and Road and Bridge Fund expenditures were overstated by \$7,387.

The Township's accounting system and accompanying financial statements have been adjusted to present the activity in the correct funds. Policies and procedures should be established and implemented to verify that expenditures are paid from correct funds and payments made out of restricted funds are in accordance with the restriction imposed on the use of funds. Failure to do so could result in restricted resources being used for illegal purposes and future finding for adjustments.

Officials' Response: Utilities and OTARMA expenditures are now being paid from General Fund and Road and Bridge Fund according to the resolution in the January 9, 2017 meeting with 5% coming from General Fund and 95% coming from Road and Bridge Fund because the Trustees felt 95% of the those expenditures are for the Township Building to house the road equipment such as the trucks, tractors, etc. The building and therefore, the utilities, only gets used twice a month for meetings.

FINDING NUMBER 2015-003

Material Weakness

The Township presented its 2015 and 2014 financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. The following errors were noted:

- **Governmental Accounting Standards Board (GASB) statement 54 paragraph 10 (codification 1800.170) and Auditor of State Bulletin 2011-004** states that when the Road and Bridge Fund is funded by property taxes with inside millage, that the constraint on the resources is internally imposed by the Township Trustees and must be recorded as committed fund balance. The Township's Road and Bridge Fund receives property taxes from inside millage and reported the fund balance in 2015 and 2014 of \$56,602 and \$43,968 respectively as restricted fund balance rather than as committed fund balance.
- **Governmental Accounting Standards Board (GASB) statement 54 paragraph 30 (codification 1300.105) and Auditor of State Bulletin 2011-004** states that if the Zoning Fund has no constraint imposed on the resources, either internally or externally, it therefore, must be reported as part of the general fund unassigned balance. During 2015 and 2014 the Township reported the Zoning Fund as part of the Special Revenue funds rather than the General Fund. Therefore, the 2015 General Fund balance beginning balance, receipts, expenditures, and ending balance was understated and the Special Revenue Funds were overstated by \$11,034; \$2,412; \$1,401; and \$12,045, respectively. The 2014 General Fund balance beginning balance, receipts, expenditures, and ending balance was understated and the Special Revenue Funds were overstated by \$9,375; \$3,087; \$1,428; and \$11,034, respectively.
- Personal property tax received during 2015 was incorrectly posted to the Road and Bridge Fund rather than the Fire District Fund. Due to this error the Fire District Fund was understated and the Road and Bridge Fund was overstated by \$2,544, respectively.

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

The Township should implement control procedures related to recording of Township financial activity to ensure that all financial activity is recorded correctly. The Township should utilize the UAN manual and Ohio Township Handbook to aid in recording financial activity. The Township should review the requirements noted in Auditor of State Bulletin 2011-004. 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.

Officials' Response: The Zoning Fund will be mapped to the General Fund for reporting purposes through the UAN Software.

FINDING NUMBER 2015-004

Non-Compliance

Ohio Rev. Code Section 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

Due to audit adjustments, the Township had a negative fund balance in the General Fund at December 31, 2015 and 2014 of \$4,935 and \$11,195, respectively.

FINDING NUMBER 2015-004
(Continued)

The Township should implement procedures to monitor fund cash balances throughout the year and monitor individual funds to verify that resources are used for allowable purposes.

Officials' Response: The Trustees and Fiscal Officer will verify all expenditures are made from the proper funds prior to authorizing payment.

**ADAMS TOWNSHIP
DARKE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Disbursements were not properly encumbered	Corrective Action Taken and Finding is Fully Corrected	
2013-002	Accuracy of Trustees' salary & insurance premiums	Not Corrected	Repeated as Finding 2015-001. See Corrective Action Plan included in the Officials Response in the SOF.
2013-003	Accuracy of Financial Reporting	Not Corrected	Repeated as Finding 2015-003. See Corrective Action Plan included in the Officials Response in the SOF.
2013-004	Unapproved Advances	Corrective Action Taken and Finding is Fully Corrected	
2013-005	Incorrectly booked asset sale proceeds.	Corrective Action Taken and Finding is Fully Corrected	

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
FEBRUARY 9, 2017**