



Dave Yost • Auditor of State

**ADAMS TOWNSHIP
MUSKINGUM COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Adams Township
Muskingum County
7545 Bradford Road
Adamsville, Ohio 43802

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, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, 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 cash balances, receipts and disbursements by fund type, and related notes of Adams Township, Muskingum County, Ohio, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 of the financial statements for the year ended December 31, 2016 and Note 10 for the year ended December 31, 2015, the Township is experiencing financial difficulties caused by adjustments made to the General Fund resulting in negative fund balances. Management's plan in regards to these financial difficulties is described in the aforementioned Notes to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2017

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$17,599	\$37,696	\$55,295
Intergovernmental	17,117	101,338	118,455
Miscellaneous	2	6	8
<i>Total Cash Receipts</i>	<u>34,718</u>	<u>139,040</u>	<u>173,758</u>
Cash Disbursements			
Current:			
General Government	56,859	656	57,515
Public Safety	0	9,700	9,700
Public Works	0	71,654	71,654
<i>Total Cash Disbursements</i>	<u>56,859</u>	<u>82,010</u>	<u>138,869</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,141)</u>	<u>57,030</u>	<u>34,889</u>
<i>Fund Cash Balances, January 1</i>	<u>(1,709)</u>	<u>48,443</u>	<u>46,734</u>
Fund Cash Balances, December 31			
Restricted	0	105,473	105,473
Unassigned	(23,850)	0	(23,850)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$23,850)</u></u>	<u><u>\$105,473</u></u>	<u><u>\$81,623</u></u>

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

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ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Adams Township, Muskingum 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. The Township contracts with the Village of Adamsville to provide fire services, and to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), public entity risk pool. Note 10 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for repairs and maintenance of repair of roads within the Township.

Fire Fund The fire fund accounts for and reports that portion of the State fire fund tax restricted for the use of the Adamsville Fire Department for the services they provide within the Township.

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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.

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 2016 budgetary activity appears in Note 4.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into two 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:

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Note 3 - Compliance

Contrary to Ohio law, at December 31, 2016, the General Fund had a cash deficit balance of \$23,850.

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,016	\$34,718	\$9,702
Special Revenue	145,851	139,040	(6,811)
Total	\$170,867	\$173,758	\$2,891

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,306	\$56,859	(\$18,553)
Special Revenue	179,295	82,010	97,285
Total	\$217,601	\$138,869	\$78,732

The Township did not record estimated receipts within its accounting records contrary to Ohio Admin. Code § 117-2-02(C)(1).

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits

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

	2016
Demand deposits	<u>\$81,623</u>

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 – Property Taxes

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All Township 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. 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, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Public Entity Risk Pool

The Township participates in the CareworksComp – Ohio Township Association Group Rating Program for worker’s compensation. CareWorksComp has a group size of townships totaling 1,154. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 10 – Risk Management

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Risk Management (continued)

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

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

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

<u>2016 Contributions to OTARMA</u>
\$3,880

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.

Note 11 - Financial Difficulties

For 2016, the General Fund had audit adjustments that were posted to the financial statements and accounting records that resulted in a fund deficit of \$23,850 at December 31, 2016. The Township will monitor all expenditures of the General Fund.

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,111	\$30,932	\$45,043
Intergovernmental	20,835	105,335	126,170
Earnings on Investments	3	3	6
<i>Total Cash Receipts</i>	<u>34,949</u>	<u>136,270</u>	<u>171,219</u>
Cash Disbursements			
Current:			
General Government	43,677	0	43,677
Public Safety	0	9,961	9,961
Public Works	0	116,988	116,988
<i>Total Cash Disbursements</i>	<u>43,677</u>	<u>126,949</u>	<u>170,626</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(8,728)</u>	<u>9,321</u>	<u>593</u>
<i>Fund Cash Balances, January 1</i>	<u>7,019</u>	<u>39,122</u>	<u>46,141</u>
Fund Cash Balances, December 31			
Restricted	0	48,443	48,443
Unassigned	(1,709)	0	(1,709)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$1,709)</u></u>	<u><u>\$48,443</u></u>	<u><u>\$46,734</u></u>

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

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ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Adams Township, Muskingum 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. The Township contracts with the Village of Adamsville to provide fire services, and to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for repairs and maintenance of repair of roads within the Township.

Fire Fund The fire fund accounts for and reports that portion of the State fire fund tax restricted for the use of the Adamsville Fire Department for the services they provide within the Township.

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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.

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 2015 budgetary activity appears in Note 4.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into two 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:

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Note 3 - Compliance

Contrary to Ohio law, at December 31, 2015, the General Fund had a cash deficit balance of \$1,709.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,920	\$34,949	\$12,029
Special Revenue	138,695	136,270	(2,425)
Total	<u>\$161,615</u>	<u>\$171,219</u>	<u>\$9,604</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,939	\$43,677	(\$13,738)
Special Revenue	177,816	126,949	50,867
Total	<u>\$207,755</u>	<u>\$170,626</u>	<u>\$37,129</u>

The Township did not record estimated receipts within its accounting records contrary to Ohio Admin. Code § 117-2-02(C)(1).

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – Deposits

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

	2015
Demand deposits	<u>\$46,734</u>

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 – Property Taxes

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All Township 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. 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.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015.

	2015
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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.

ADAMS TOWNSHIP
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Risk Management (continued)

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

<u>2015 Contributions to OTARMA</u>
--

\$3,792

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.

Note 10 - Financial Difficulties

For 2015, the General Fund had audit adjustments that were posted to the financial statements and accounting records that resulted in a fund deficit of \$1,709 at December 31, 2015. The Township will monitor all expenditures of the General Fund.



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
Muskingum County
7545 Bradford Road
Adamsville, Ohio 43802

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, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township is experiencing financial difficulties due to negative General Fund balances.

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 2016-001 through 2016-003 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 2016-001 through 2016-003.

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 style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2017

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Material Weakness

Ohio Rev. Code § 505.24(C) states that, 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 § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

During 2016, the members of the Board of Township Trustees were paid from the General Fund, Gasoline Tax Fund and Road and Bridge Fund. For 2016, we noted no supporting documentation or certifications on file to support the restricted funds from which the Trustees were paid. This resulted in an adjustment of 2016 salaries totaling \$12,854 to the General Fund from the Gasoline Tax and Road and Bridge Funds in the amounts of \$9,643 and \$3,211, respectively.

During 2015, the members of the Board of Township Trustees were paid from the General Fund and Gasoline Tax Fund. In addition, withholdings payments for the Trustees were made from the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Motor Vehicle License Tax Fund. For 2015, we noted no supporting documentation or certifications on file to support the restricted funds from which the Trustees were paid. This resulted in an adjustment of 2016 salaries and withholdings totaling \$16,550 from the Gasoline Tax Fund to the General Fund, Road and Bridge Fund and the Motor Vehicle License Tax Fund in the amounts of \$14,999, \$1,011 and \$540, respectively.

These adjustments, to which management has agreed, are reflected in the accompanying financial statements. However, these adjustments created a negative fund balance in the General Fund at December 31, 2016 and 2015.

We recommend, if the Board adopts, by unanimous vote, a method of compensation consisting of an annual salary, the Trustees 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. Each Trustee's salary and fringe benefits should be allocated to the corresponding funds consistent with each certification, and certifications should be maintained on file. The Fiscal Officer should obtain the required certifications from the Trustees each pay period prior to issuing the corresponding payment. A sample certification is attached to Auditor of State Bulletin 2011-007. The Fiscal Officer and Trustees should also monitor the expenditures and fund balances of the Township to prevent future expenditures in excess of available resources.

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod.1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Various adjustments were made to the Township's financial statements for 2016 and 2015 including adjustments necessary to report fund balances in accordance with GASB Statement No. 54.

For the fiscal year ending December 31, 2016, the following adjustments and reclassifications were noted:

- Local Government receipts were improperly posted as Property and Other Local Taxes rather than Intergovernmental in the amount of \$15,303 in the General Fund.
- Motor Vehicle License Tax receipts were improperly posted as Licenses, Permits and Fees rather than Intergovernmental in the amount of \$10,773 in the Motor Vehicle License Fund.
- Gasoline Tax Receipts were improperly posted as Property and Other Local Taxes rather than Intergovernmental in the amount of \$86,842 in the Gasoline Tax Fund.
- Property Tax Receipts and Public Works Disbursements were understated on the financial statements for the Special Revenue Funds by \$5,010.
- A Homestead and Rollback receipt totaling \$2,737 was posted to the Motor Vehicle License Tax Fund rather than being posted to the General, Road and Bridge and Fire Funds in the amounts of \$897, \$1,328, and \$512, respectively.
- A portion of two Homestead and Rollback receipts totaling \$1,883 were posted to the General Fund rather than being posted to the Road and Bridge and Fire Funds in the amounts of \$1,359 and \$524.
- Additionally Homestead and Rollback monies were improperly posted as Property and Other Local Taxes rather than Intergovernmental in the amounts of \$918 in the General Fund.
- Expenditures totaling \$37,879, \$45, and \$6,837 were improperly classified in the General Fund as Public Works, Health, and Other, respectively, rather than General Government.
- \$76,591 of the Special Revenue Fund balances were incorrectly reported as Unassigned rather than Restricted fund balance.

For the fiscal year ending December 31, 2015, the following reclassification was noted:

- The Special Revenue Fund balances totaling \$33,444 were incorrectly reported as Assigned rather than Restricted fund balance.

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code § 117-2-02(A) (Continued)

Audit adjustments, with which management has agreed, have been recorded in the accompanying financial statements to properly reflect these amounts. In addition to the adjustments listed above, we also identified additional unadjusted misstatements ranging from \$7 to \$2,500 that we have brought to the Township's attention.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Township's financial information. The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements.

FINDING NUMBER 2016-003

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that each public office should design its accounting system to provide ongoing and timely information on unrealized budgetary receipts. This can be accomplished by integrating the budgetary accounts, at the legal level of control or lower, into the financial accounting system.

The Township did not post estimated receipts certified by the Budget Commission to the receipts journal for 2016 or 2015. Failure to post estimated receipts to the receipts journal could result in management of the Township not being able to effectively monitor and report the Township's budget versus actual information throughout the year.

The Fiscal Officer should post estimated receipts, as approved by the Budget Commission, to the receipts journal. This procedure will help ensure useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool.

Officials' Response: We did not receive a response from Officials to the Findings reported above.

ADAMS TOWNSHIP
MUSKINGUM COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2016 and 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Admin. Code § 117-2-02(C)(1) – Estimated receipts were not posted to the Township’s Receipt Journal.	Not Corrected	The Township has continued to not post estimated receipts to the Receipt Journal. The Township will utilize a Receipt Journal which allows them to post estimated receipts.



Dave Yost • Auditor of State

ADAMS TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 4, 2018