



Mary Taylor, CPA  
Auditor of State



**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	23

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 11, 2008

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Adams Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Adams Township, Washington County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 11, 2008



**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 5,674	\$ 30,530	\$ 15,716	\$	\$ 51,920
Intergovernmental	36,361	155,621			191,982
Licenses, Permits, and Fees		5,975			5,975
Earnings on Investments	479	339		507	1,325
Miscellaneous	297	3,625			3,922
Total Cash Receipts	<u>42,811</u>	<u>196,090</u>	<u>15,716</u>	<u>507</u>	<u>255,124</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	40,909	6,193			47,102
Public Works		160,730			160,730
Health	3,828	9,259			13,087
Debt Service:					
Redemption of Principal			9,000		9,000
Interest and Fiscal Charges			2,060		2,060
Capital Outlay		700			700
Total Cash Disbursements	<u>44,737</u>	<u>176,882</u>	<u>11,060</u>	<u>0</u>	<u>232,679</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,926)	19,208	4,656	507	22,445
<b>Other Financing Receipts and (Disbursements):</b>					
Other Financing Sources	57				57
Total Other Financing Receipts/(Disbursements)	<u>57</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,869)	19,208	4,656	507	22,502
Fund Cash Balances, January 1	<u>54,932</u>	<u>96,082</u>	<u>1,950</u>	<u>17,692</u>	<u>170,656</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 53,063</u></b>	<b><u>\$ 115,290</u></b>	<b><u>\$ 6,606</u></b>	<b><u>\$ 18,199</u></b>	<b><u>\$ 193,158</u></b>

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

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 9,490	\$ 32,138	\$ 9,828	\$	\$ 51,456
Intergovernmental	36,125	156,528			192,653
Licenses, Permits, and Fees		6,290			6,290
Earnings on Investments	518	256		396	1,170
Miscellaneous	100	3,323			3,423
Total Cash Receipts	<u>46,233</u>	<u>198,535</u>	<u>9,828</u>	<u>396</u>	<u>254,992</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	38,278	6,843			45,121
Public Works		167,468			167,468
Health	3,829	4,372			8,201
Debt Service:					
Redemption of Principal		7,442	7,480		14,922
Interest and Fiscal Charges		396	398		794
Capital Outlay		40,228			40,228
Total Cash Disbursements	<u>42,107</u>	<u>226,749</u>	<u>7,878</u>	<u>0</u>	<u>276,734</u>
Total Cash Receipts Over/(Under) Cash Disbursements	4,126	(28,214)	1,950	396	(21,742)
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Bonds		40,000			40,000
Other Sources	139	4,541			4,680
Total Other Financing Receipts/(Disbursements)	<u>139</u>	<u>44,541</u>	<u>0</u>	<u>0</u>	<u>44,680</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,265	16,327	1,950	396	22,938
Fund Cash Balances, January 1	<u>50,667</u>	<u>79,755</u>		<u>17,296</u>	<u>147,718</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 54,932</u></b>	<b><u>\$ 96,082</u></b>	<b><u>\$ 1,950</u></b>	<b><u>\$ 17,692</u></b>	<b><u>\$ 170,656</u></b>

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

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Adams Township, Washington County (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 fire protection. The Township contracts with the Lowell-Adams Joint Fire District to provide fire services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash**

The Township values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Permissive Sales Tax Fund - This fund receives funds from Washington County through the one-half percent sales tax for constructing, maintaining and repairing Township roads and bridges.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund – This fund receives property tax money to pay for the debt of the Township.

**4. Permanent Funds**

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

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

**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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The appropriation measures and subsequent amendments must be sent to the County Auditor. 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.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. 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.

**G. 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.

**2. EQUITY IN POOLED CASH**

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

	2007	2006	
Demand deposits	\$ 181,871	\$ 159,369	
Certificates of deposit	11,287	11,287	
Total deposits	\$ 193,158	\$ 170,656	

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 51,173	\$ 42,868	\$ (8,305)
Special Revenue	203,291	196,090	(7,201)
Debt Service	5,280	15,716	10,436
Permanent	370	507	137
Total	\$ 260,114	\$ 255,181	\$ (4,933)

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,974	\$ 44,737	\$ 12,237
Special Revenue	212,626	176,882	35,744
Debt Service	6,950	11,060	(4,110)
Permanent	0	0	0
Total	<u>\$ 276,550</u>	<u>\$ 232,679</u>	<u>\$ 43,871</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 49,736	\$ 46,372	\$ (3,364)
Special Revenue	245,808	243,076	(2,732)
Debt Service	7,878	9,828	1,950
Permanent	228	396	168
Total	<u>\$ 303,650</u>	<u>\$ 299,672</u>	<u>\$ (3,978)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,974	\$ 42,107	\$ 14,867
Special Revenue	261,365	226,749	34,616
Debt Service	7,878	7,878	0
Permanent	0	0	0
Total	<u>\$ 326,217</u>	<u>\$ 276,734</u>	<u>\$ 49,483</u>

At December 31, 2007, the Township had expenditures in excess of appropriations in the Permissive Sales Tax Fund in the amount of \$33,183 and the General Bond Retirement Fund in the amount of \$4,110, contrary to Ohio Rev. Code Section 5705.41(B).

At December 31, 2006, the Township had expenditures in excess of appropriations in the Road and Bridge Fund in the amount of \$24,808, contrary to Ohio Rev. Code Section 5705.41(B).

**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.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. PROPERTY TAX (Continued)**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Roadway Equipment Bonds, Series 2006	\$ 31,000	5.15%

The Township issued roadway equipment bonds for the purpose of paying the costs of acquiring road maintenance equipment, including a dump truck and power tilt attachment, together with all related appurtenances. The Township's taxing authority collateralized the bonds.

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

<u>Year ending December 31:</u>	<u>Roadway Equipment Bonds</u>
2008	\$11,397
2009	11,392
2010	11,461
Total	<u>\$34,250</u>

**6. RETIREMENT SYSTEM**

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 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**7. RISK POOL MEMBERSHIP**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Adams Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 11, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-003 through 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-003, 2007-004 and 2007-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 11, 2008.

#### **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, providing an opinion 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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-003, 2007-005, and 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 11, 2008.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 11, 2008

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in Section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under Section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of Section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of Section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of Section 505.60 of the Revised Code.

Attorney General Opinion No. 2005-038 determined that township officers and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs" because the policies described in Section 505.60(A) do not include family coverage.

The Township reimbursed Trustee Wayne Isner, Trustee James Huck, and employee Ernest Rummer, Jr., for family coverage for the years 2006 and 2007 which was in excess of the actual out-of-pocket premium expenses attributable to the Township officers and employee only in the total amount of \$12,604.

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the township reimbursement provisions as demonstrated by various opinions submitted by prosecuting attorneys. In addition, legislation has been introduced and passed by the Ohio House of Representatives to extend reimbursement for township employees and officials for family coverage. Therefore, we will not issue Findings for Recovery for the overpayment for the remainder of the current audit period.

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until the legislature passes Am. H.B. No. 458.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2007, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Permissive Sales Tax	\$ 0	\$ 33,183	\$ (33,183)
General Bond Retirement	6,950	11,060	(4,110)

Expenditures exceeded appropriations at December 31, 2006, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Road and Bridge	\$ 48,249	\$ 73,057	\$(24,808)

Additionally, appropriation line items (the legal level of control) had expenditures that exceeded appropriations as follows:

<u>Year</u>	<u>Fund</u>	<u>Account</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
2006	Gasoline Tax	2021-760-720	\$ 6,000	\$ 6,808	\$ (808)
2006	Road & Bridge	2031-760-740	(1,400)	9,421	(10,821)
2006	Road & Bridge	2031-760-750	0	24,000	(24,000)
2007	Permissive Sales Tax	2241-330-360	0	10,748	(10,748)
2007	Permissive Sales Tax	2241-330-420	0	22,513	(22,513)
2007	General Bond Retirement	3101-820-820	5,725	9,000	(3,275)
2007	General Bond Retirement	3101-830-830	1,225	2,060	(835)

The variances were primarily due to supplemental appropriations posted to the system but not approved by the Board of Trustees. See Finding Number 2007-004 for the related material weakness. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-003**

**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Section 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 contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

During 2006, the Fiscal Officer posted certain revenue transactions incorrectly. The following was noted:

- The full amount of the public utility reimbursement was posted to taxes in the General Fund instead of posted to intergovernmental in the General Fund and Road and Bridge Fund;
- Personal property exemption was posted to taxes instead of intergovernmental in the General Fund and Road and Bridge Fund;
- Local government revenue was posted to taxes instead of intergovernmental in the General Fund;
- Tangible personal property reimbursement was posted to taxes instead of intergovernmental in the General Fund and Road and Bridge Fund;
- Manufactured home tax was posted to intergovernmental instead of taxes in the General Fund and Road and Bridge Fund;
- The full amount of homestead and rollback was posted to the General Fund instead of being split between the General Fund and Road and Bridge Fund;
- Permissive sales tax was posted to taxes at the incorrect amount, instead of intergovernmental; and,
- One month's interest from the Greenlawn CD was posted to the General Fund instead of the Permanent Fund.

During 2007, the Fiscal Officer posted certain revenue transactions incorrectly. The following was noted:

- Personal property exemption was posted to taxes instead of intergovernmental in the General Fund and Road and Bridge Fund;
- Kilowatt hour and MCF local government property tax replacement was posted to taxes instead of intergovernmental in the General Fund and Road and Bridge Fund;
- The full amount of homestead and rollback was posted to the General Fund instead of being split between the General Fund and Road and Bridge Fund;
- Tangible personal property reimbursement was posted to taxes instead of intergovernmental in the General Fund and Road and Bridge Fund;
- Local government revenue was posted to taxes instead of intergovernmental in the General Fund;
- Manufactured home tax was posted to intergovernmental instead of taxes in the General Fund and Road and Bridge Fund;
- One month of motor vehicle license tax was posted to the General Fund instead of the Motor Vehicle License Tax Fund;

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-003 (Continued)**

**Noncompliance Citation and Material Weakness - Ohio Admin. Code Section 117-2-02(A)  
(Continued)**

- Bureau of Workers Compensation rate change was posted to intergovernmental instead of other revenue in the General Fund;
- The full amount of manufactured home homestead was posted to the General Fund instead of split between the General Fund and Road and Bridge Fund;
- Permissive sales tax was posted to taxes at the incorrect amount, instead of intergovernmental;
- Debt Service real estate taxes were posted to the General Fund and Road and Bridge Funds instead of the Debt Service Fund; and,
- One month's interest from the Greenlawn CD was posted to the General Fund instead of the Permanent Fund.

These errors in posting to revenue resulted in adjustments and reclassifications within the General Fund, Road and Bridge Fund, Permissive Sales Tax Fund, Motor Vehicle License Tax Fund and Debt Service Fund. Fund balances were affected by these incorrect postings of receipts in 2006 and 2007. The following lists the net adjustments for each fund for the above errors as of December 31, 2007:

Fund	Net Adjustment
General	\$ (13,001)
Motor Vehicle License Tax	534
Road and Bridge	6,497
General Bond Retirement	5,889
Permanent - Greenlawn	81
Total	<u>\$ (0)</u>

As a result, these significant adjustments and reclassifications were made to the financial statements in order for the Fiscal Officer to correctly classify the sources and amounts of the Township's receipts and expenditures. These adjustments and reclassifications, with which the Township's management agrees, are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts.

**FINDING NUMBER 2007-004**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-004 (Continued)**

**Material Weakness (Continued)**

At December 31, 2007, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for nine funds. The variances were as follows:

<u>Fund</u>	<u>Estimated Receipts Per Budget Commission</u>	<u>Amounts Per Township Reports</u>	<u>Variance</u>
Motor Vehicle License Tax	\$ 23,305	\$ 17,806	\$ 5,499
Gasoline Tax	95,506	86,267	9,239
Road and Bridge	74,641	72,969	1,672
Cemetery	9,840	9,490	350
Permissive Sales Tax	0	63,560	(63,560)
General Bond Retirement	5,280	9,828	(4,548)
Greenlawn Cemetery Bequest	350	345	5
Lucas Cemetery Bequest	18	20	(2)
Vangelder Cemetery Bequest	2	5	(3)

At December 31, 2007, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for one fund. The variance was as follows:

<u>Fund</u>	<u>Appropriations Per Board of Trustees</u>	<u>Amounts Per Township Reports</u>	<u>Variance</u>
Permissive Sales Tax	\$ 0	\$ 63,560	\$ (63,560)

At December 31, 2006, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for ten funds. The variances were as follows:

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-004 (Continued)**

**Material Weakness (Continued)**

<u>Fund</u>	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
General Fund	\$ 49,736	\$ 78,576	\$(28,840)
Motor Vehicle License Tax	21,657	800	20,857
Gasoline Tax	92,796	81,707	11,089
Road and Bridge	81,980	72,105	9,875
Cemetery	10,000	10,110	(110)
Permissive Sales Tax	39,375	67,837	(28,462)
General Bond Retirement	7,878	15,756	(7,878)
Greenlawn Cemetery Bequest	190	174	16
Lucas Cemetery Bequest	18	16	2
Vangelder Cemetery Bequest	20	18	2

At December 31, 2006, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for two funds. The variances were as follows:

<u>Fund</u>	Appropriations Per Board of Trustees	Amounts Per Township Reports	Variance
Gasoline Tax	\$ 99,669	\$ 105,879	\$(6,210)
Road and Bridge	48,249	88,249	(40,000)

Failure to properly post estimated resources and appropriations could lead to a lack of budgetary control. Adjustments, with which the Township's management agrees, were made to the budgetary note disclosures to properly reflect approved estimated receipts and appropriations.

We recommend the Fiscal Officer post estimated receipts as approved by the County Budget Commission and appropriations as approved by the Board of Trustees.



**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-005**

**Noncompliance Citation and Significant Deficiency**

Article XII, Section 5a of the Ohio Constitution states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

The Township paid one month's salary of the Fiscal Officer, in the amount of \$1,015, out of the Motor Vehicle License Tax Fund instead of the General Fund. Since the Fiscal Officer performs administrative duties for the Township, the salary of the Fiscal Officer should be paid entirely from the General Fund. This resulted in the fund balance of the General Fund being overstated by \$1,015 and the fund balance of the Motor Vehicle License Tax Fund being understated by \$1,015. This adjustment, with which the Township's management agrees, has been made to the Township's books and is reflected in the accompanying financial statements.

We recommend the Township pay the Fiscal Officer's salary entirely from the General Fund due to the administrative duties performed by the Fiscal Officer of the Township.

**FINDING NUMBER 2007-006**

**Noncompliance Citation and Material Weakness**

Section 7, Provisions for Tax Levy, of the Bond Resolution approved by the Board of Trustees for the \$40,000 Roadway Equipment Bonds, Series 2006 states there shall be levied on all the taxable property in the Township, in addition to all other taxes, a direct tax annually during the period the Bonds are outstanding in an amount sufficient to pay the debt charges on the Bonds when due, which tax shall not be less than the interest and sinking fund tax required by Section 11 of Article XII of the Ohio Constitution. The tax shall be within the ten-mill limitation imposed by law, shall be and is ordered computed, certified, levied and extended upon the tax duplicate and collected by the same officers, in the same manner and at the same time that taxes for general purposes for each of those years are certified, levied, extended and collected, and shall be placed before and in preference to all other items and for the full amount thereof. The proceeds of the tax levy shall be placed in the Bond Retirement Fund, which is irrevocably pledged for the payment of the debt charges on the Bonds when and as the same fall due.

In 2007, debt payments for the Roadway Equipment Bonds were paid from the General Bond Retirement Fund, Gasoline Tax Fund and Motor Vehicle License Tax Fund instead of entirely from the General Bond Retirement Fund as stated in the Bond Resolution.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-006 (Continued)**

**Noncompliance Citation and Material Weakness - Section 7, Provisions for Tax Levy (Continued)**

The following lists the net adjustment for each fund for the debt payment error as of December 31, 2007:

Fund	Net Adjustment
Gasoline Tax	\$ 2,055
Motor Vehicle License Tax	2,055
General Bond Retirement	(4,110)
Total	\$ 0

As a result, debt payments were understated in the General Bond Retirement Fund and overstated in the Gasoline Tax Fund and Motor Vehicle License Tax Fund for 2007. Adjustments with which the Board of Trustees agrees have been posted to the Township's books and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer make debt payments out of the proper funds according to the Bond Resolution approved by Board of Trustees.

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

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	Ohio Rev. Code Section 5705.41(D)(1) - the Township did not certify 50% of expenditures tested in 2005 and 31% of expenditures tested in 2004.	No	Not Corrected; Reissued in the Management Letter.
2005-002	Ohio Rev. Code Section 5705.10 – During 2005 the Township posted May gas excise tax receipt to the General Fund in the amount of \$3,482 instead of the Gasoline Tax Fund.	Yes	
2005-003	Ohio Rev. Code Section 5705.10 – During 2005, the Township posted interest earned from the Greenlawn Cemetery General Bequest Fund into the General Fund.	No	Not Corrected; Reissued in the Management Letter.
2005-004	Ohio Rev. Code Section 5705.36 – Current year appropriations exceeded beginning fund balance plus actual receipts in the MVL Fund and Permissive Sales Tax Fund in 2005 and in the MVL Fund, Cemetery Fund and Debt Fund in 2004.	Yes	
2005-005	During 2005 and 2004, estimated receipts and appropriations posted to the accounting records were not in agreement with the Amended Certificates or the adopted appropriations.	No	Not Corrected; Reissued in the Schedule of Findings as item number 2007-004.





**Mary Taylor, CPA**  
Auditor of State

**ADAMS TOWNSHIP**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 18, 2008**