



Mary Taylor, CPA
Auditor of State

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

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Mary Taylor, CPA
Auditor of State

Adams Township
Washington County
P.O. Box 384
Lowell, OH 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

April 12, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Adams Township
Washington County
P.O. Box 384
Lowell, OH 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, 2009 and 2008. 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 Government 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, 2009 and 2008 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, 2009 and 2008, 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, as of December 31, 2009 and 2008, 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 April 12, 2010, 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

April 12, 2010

**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, 2009**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 12,781 | \$ 69,449 | \$ 5,696 | \$ 0 | \$ 87,926 |
| Intergovernmental | 63,042 | 113,196 | | | 176,238 |
| Licenses, Permits, and Fees | | 8,200 | | | 8,200 |
| Earnings on Investments | 95 | 131 | | 448 | 674 |
| Miscellaneous | | 1,000 | | | 1,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 75,918 | 191,976 | 5,696 | 448 | 274,038 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 76,699 | 500 | | | 77,199 |
| Public Works | | 192,935 | | | 192,935 |
| Health | 4,393 | 10,084 | | | 14,477 |
| Capital Outlay | | 14,294 | | | 14,294 |
| Debt Service: | | | | | |
| Redemption of Principal | | 17,134 | 5,150 | | 22,284 |
| Interest and Fiscal Charges | | 1,404 | 546 | | 1,950 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 81,092 | 236,351 | 5,696 | 0 | 323,139 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (5,174) | (44,375) | 0 | 448 | (49,101) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Sale of Notes | | 11,984 | | | 11,984 |
| Other Financing Sources | | 17,733 | | | 17,733 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | 0 | 29,717 | 0 | 0 | 29,717 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (5,174) | (14,658) | 0 | 448 | (19,384) |
| Fund Cash Balances, January 1 | 45,127 | 126,302 | 1,778 | 18,758 | 191,965 |
| Fund Cash Balances, December 31 | <u>\$ 39,953</u> | <u>\$ 111,644</u> | <u>\$ 1,778</u> | <u>\$ 19,206</u> | <u>\$ 172,581</u> |

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, 2008**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 13,755 | \$ 73,665 | \$ 5,698 | \$ 0 | \$ 93,118 |
| Intergovernmental | 43,960 | 108,513 | | | 152,473 |
| Licenses, Permits, and Fees | | 6,900 | | | 6,900 |
| Earnings on Investments | 198 | 254 | | 559 | 1,011 |
| Miscellaneous | 1,985 | 1,600 | | | 3,585 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 59,898 | 190,932 | 5,698 | 559 | 257,087 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 63,834 | | | | 63,834 |
| Public Works | | 165,037 | | | 165,037 |
| Health | 4,000 | 11,618 | | | 15,618 |
| Capital Outlay | | 2,000 | | | 2,000 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 9,800 | | 9,800 |
| Interest and Fiscal Charges | | 1,265 | 726 | | 1,991 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 67,834 | 179,920 | 10,526 | 0 | 258,280 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (7,936) | 11,012 | (4,828) | 559 | (1,193) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, January 1 | 53,063 | 115,290 | 6,606 | 18,199 | 193,158 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$ 45,127</u> | <u>\$ 126,302</u> | <u>\$ 1,778</u> | <u>\$ 18,758</u> | <u>\$ 191,965</u> |

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

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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. 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, maintain, and repairing Township roads and bridges.

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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

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

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

4. 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.

D. 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 4.

E. 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.

F. 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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Equity in Pooled 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:

| | 2009 | 2008 |
|-------------------------|------------|------------|
| Demand deposits | \$ 171,187 | \$ 190,593 |
| Certificates of deposit | 1,394 | 1,372 |
| Total deposits | \$ 172,581 | \$ 191,965 |

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

4. Budgetary Activity

Budgetary activity for the years ending 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------|
| General | \$76,295 | \$75,918 | (\$377) |
| Special Revenue | 238,633 | 221,693 | (16,940) |
| Debt Service | 9,618 | 5,696 | (3,922) |
| Permanent | 214 | 448 | 234 |
| Total | \$324,760 | \$303,755 | (\$21,005) |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-----------|
| General | \$107,631 | \$81,092 | \$26,539 |
| Special Revenue | 340,559 | 236,351 | 104,208 |
| Debt Service | 11,397 | 5,696 | 5,701 |
| Permanent | 0 | 0 | 0 |
| Total | \$459,587 | \$323,139 | \$136,448 |

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Budgetary Activity (Continued)

| 2008 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$51,173 | \$59,898 | \$8,725 |
| Special Revenue | 230,331 | 190,932 | (39,399) |
| Debt Service | 6,569 | 5,698 | (871) |
| Permanent | 0 | 559 | 559 |
| Total | \$288,073 | \$257,087 | (\$30,986) |

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$91,585 | \$67,834 | \$23,751 |
| Special Revenue | 257,279 | 179,920 | 77,359 |
| Debt Service | 10,526 | 10,526 | 0 |
| Permanent | 0 | 0 | 0 |
| Total | \$359,390 | \$258,280 | \$101,110 |

Contrary to Ohio law, appropriations exceeded actual resources in the Motor Vehicle License Tax Fund by \$1,831, in the Road and Bridge Fund by \$677, in the Permissive Sales Tax Fund by \$28,257 and in the Bond Retirement Fund by \$3,923 for the year ended December 31, 2009. In addition, appropriations exceeded actual resources in the Road and Bridge Fund by \$32,545 for the year ended December 31, 2008.

Also contrary to Ohio law, appropriations exceeded estimated resources in the Motor Vehicle License Tax Fund by \$3,162 and in the Road and Bridge Fund by \$677 for the year ended December 31, 2009. In addition, appropriations exceeded estimated resources in the Road and Bridge Fund by \$31,026 for the year ended December 31, 2008.

Finally, contrary to Ohio law, expenditures exceeded appropriations in the Permissive Sales Tax Fund by \$41,566 and at certain line-item levels for the Motor Vehicle License Tax, Cemetery, Gasoline Tax and Permissive Sales Tax Funds for the year ended December 31, 2008.

5. 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.

Public utilities are also taxed on personal and real property located within the Township.

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.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Property Tax (Continued)

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

6. Debt

Debt outstanding at December 31, 2009 was as follows:

| | | |
|--------------------------------------|------------------|----------------------|
| | <u>Principal</u> | <u>Interest Rate</u> |
| Roadway Equipment Bonds, Series 2006 | \$10,900 | 5.15% |

The Township issued general obligation bonds to finance the purchase of a new dump truck for Township road maintenance.

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

| | |
|---------------------------------|--------------------------------|
| | General Obligation Bonds |
| <u>Year ending December 31:</u> | |
| 2010 | \$11,461 |

7. 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 2009 and 2008, 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, 2009.

8. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

| | <u>2008</u> | <u>2007</u> |
|-------------|---------------------|---------------------|
| Assets | \$40,737,740 | \$43,210,703 |
| Liabilities | (12,981,818) | (13,357,837) |
| Net Assets | <u>\$27,755,922</u> | <u>\$29,852,866</u> |

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$2,212.

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>Contributions to OTARMA</u> | |
|---------------------------------------|---------|
| 2008 | \$3,120 |
| 2009 | \$2,572 |

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

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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, 2009 and 2008, and have issued our report thereon dated April 12, 2010, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-007 and 2009-008 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 12, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

April 12, 2010

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered.

The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Management Letter of Adams Township for the years ending December 31, 2007 and 2006, which was released on September 18, 2008.

The Board of Trustees did not establish administrative procedures to document how they spent their time; therefore, paid all Board of Trustee salaries from the General Fund for 2009 and 2008. For the period of September 18, 2008 through December 31, 2008, the Fiscal Officer paid \$2,084 of the Trustees' insurance reimbursements from Road and Bridge and Gasoline Tax Funds rather than the General Fund. For 2009, the Fiscal Officer paid \$5,382 of the Trustees' insurance reimbursements from the Road and Bridge and Gasoline Tax Funds rather than the General Fund.

The Fiscal Officer has posted these adjustments to the Township's records; therefore, these adjustments are reflected in the accompanying financial statements.

We recommend the Fiscal Officer pay all benefits for the Board of Trustees from the General Fund if the Board of Trustees decides not to establish administrative procedures to document how they spend their time.

Officials' Response: The Township chose not to respond to this finding.

FINDING NUMBER 2009-002

Finding for Recovery

Ohio Rev. Code Section 505.601(A) states that 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 attributable to the coverage provided 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:

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2009-002 (Continued)

Finding for Recovery – Ohio Rev. Code Section 505.601(A) (Continued)

(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.

Ohio Constitution Art. II, Section 20 prohibits elected officials from receiving in-term increases in compensation. Additional insurance coverage and reimbursement in excess of the amount and types authorized by the Township resolution at the time a Township official takes office is considered an in-term increase in compensation.

On January 9, 2008, the Board approved reimbursing Wayne Isner for health insurance premiums totaling \$4,000 per year. On January 14, 2009, the Board increased mid-term the maximum health insurance reimbursement amount not to exceed \$5,000 for the year. The increase in the maximum reimbursement amount constitutes an impermissible in-term increase. During 2009 reimbursements to Trustee Wayne Isner for his healthcare expenses exceeded the \$4,000 cap per year by \$1,000. These overpayments constitute an in-term increase for Mr. Isner since the increase in payments were made mid-term. These payments were issued by Fiscal Officer, Barbara Huck. On April 28, 2010, Mr. Isner repaid \$416.67 to the Adams Township General Fund.

Although Ohio Rev. Code Section 505.601 authorizes a board of Township Trustees to provide for reimbursement of health care premiums for its elected officials and employees, the individual Trustees approving this resolution mid-term would not be eligible for the increase until elected to a new term.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Wayne Isner, Township Trustee, and his bonding company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$583.33, and in favor of the Adams Township General Fund.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2009-002 (Continued)

Finding for Recovery – Ohio Rev. Code Section 505.601(A) (Continued)

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Therefore, Barbara Huck, and her bonding company, Travelers Casualty and Surety Company of America, shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from the individuals listed above, in the corresponding amounts.

Officials’ Response: Mr. Isner plans to pay \$416.67 in May and \$166.66 in June 2010.

FINDING NUMBER 2009-003

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 505.601(A) states that 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 attributable to the coverage provided 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.

Ohio Constitution Art. II, Section 20 prohibits elected officials from receiving in-term increases in compensation. Additional insurance coverage and reimbursement in excess of the amount and types authorized by the Township resolution at the time a Township official takes office is considered an in-term increase in compensation.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-003 (Continued)

Finding for Recovery Repaid Under Audit - Ohio Rev. Code Section 505.601(A) (Continued)

On January 9, 2008, the Board approved reimbursing Jim Huck and his wife for health insurance premiums totaling \$4,000 per year. On January 14, 2009, the Board increased mid-term the maximum health insurance reimbursement amount not to exceed \$5,000 per year. The reimbursements on behalf of Trustee James Huck for his healthcare expenses exceeded the \$4,000 cap per year by \$282 in 2008, and by \$625 in 2009. These overpayments constitute an in-term increase for Mr. Huck since the increase in payments were made mid-tem.

Although Ohio Rev. Code Section 505.601 authorizes a board of Township Trustees to provide for reimbursement of health care premiums for its elected officials and employees, the individual Trustees approving this resolution mid-term would not be eligible for the increase until elected to a new term.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Huck, Township Trustee, in the amount of \$907, and in favor of the Adams Township General Fund.

On April 28, 2010, James Huck repaid \$907 to the Adams Township General Fund.

Officials' Response: The Township chose not to respond to this finding.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

We noted appropriations were greater than actual resources in 2009 and 2008 as follows;

| Fund | Actual Resources | Appropriation Authority | Variance |
|---------------------------|---------------------|----------------------------|------------|
| 2009 | | | |
| Motor Vehicle License Tax | \$51,120 | \$52,951 | (\$1,831) |
| Road and Bridge | 51,187 | 51,864 | (677) |
| Permissive Sales Tax | 38,718 | 66,975 | (28,257) |
| Bond Retirement | 7,474 | 11,397 | (3,923) |
| 2008 | | | |
| Road and Bridge | \$54,269 | \$86,814 | (\$32,545) |

This could cause the Township to spend more money than is available to spend.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2009-004 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.36(A)(4) (Continued)

We recommend the Township monitor estimated and actual revenues for all funds on a regular basis. In the situation where appropriations exceed actual resource, the Township should adjust appropriations accordingly.

Officials' Response: The Township chose not to respond to this finding.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure.

We noted appropriations were greater than estimated resources in 2009 and 2008 as follows;

| Fund | Estimated Resources | Appropriation Authority | Variance |
|---------------------------|---------------------|-------------------------|------------|
| 2009 | | | |
| Motor Vehicle License Tax | \$49,789 | \$52,951 | (\$3,162) |
| Road and Bridge | 51,187 | 51,864 | (677) |
| 2008 | | | |
| Road and Bridge | \$55,788 | \$86,814 | (\$31,026) |

This could cause the Township to spend more money than is available to spend.

We recommend the Township monitor estimated and actual revenues for all funds on a regular basis. In the situation where appropriations exceed actual resource, the Township should adjust appropriations accordingly or request an amended certificate from the County Auditor.

Officials' Response: The Township chose not to respond to this finding.

FINDING NUMBER 2009-006

Noncompliance Citation

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

Expenditures exceeded appropriations in the following fund at December 31, 2008 as follows:

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-006 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)

| Fund | Appropriation Authority | Actual Expenditures | Variance |
|----------------------|----------------------------|------------------------|-------------|
| Permissive Sales Tax | \$0 | \$ 41,566 | \$ (41,566) |

Expenditures exceeded appropriations at in the following line-items at December 31, 2008 as follows:

| Fund Line Item | Appropriation Authority | Actual Expenditures | Variance |
|-------------------|----------------------------|------------------------|----------|
| 2011-330-420-0020 | \$500 | \$1,271 | (\$771) |
| 2011-330-420-0030 | 500 | 1,458 | (958) |
| 2011-330-420-0050 | 1,000 | 2,349 | (1,349) |
| 2021-330-420-0060 | 2,000 | 5,636 | (3,636) |
| 2041-410-323-0000 | 0 | 164 | (164) |
| 2241-330-360-0000 | 0 | 14,850 | (14,850) |
| 2241-330-420-0000 | 0 | 26,716 | (26,716) |

We recommend the Fiscal Officer monitor budgetary expenditures and appropriations and ensure that the total expenditures from each fund shall not exceed the total appropriations.

Officials' Response: The Township chose not to respond to this finding.

FINDING NUMBER 2009-007

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

As a result of the audit procedures performed, we noted the following errors in the financial statements that required audit adjustments or reclassifications:

2008:

- Portions of a reimbursements posted to the General Fund rather than the Road and Bridge Fund;
- Exemption and rollback receipts posted to taxes rather than intergovernmental;
- Tangible personal property tax receipts posted as intergovernmental rather than taxes;
- OPWC monies paid on behalf of the township not posted to township ledgers;
- Interest receipts posted inaccurately to Permanent Funds.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-007 (Continued)

Material Weakness (Continued)

2009:

- Exemption and rollback receipts posted to taxes instead of intergovernmental;
- Debt proceeds and capital outlay not posted to the township ledgers;
- Interest receipts were posted inaccurately to Permanent Funds;

Lack of due care in posting correctly resulted in audit adjustments. The audited financial statements reflect the above adjustments.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township Manual for guidance on the correct line-item to post various receipts and expenditures of the Township.

Officials' Response: The Township chose not to respond to this finding.

FINDING NUMBER 2009-008

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2009, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers or the budgetary statements for the following fund:

| Fund | Estimated Receipts per County Budget Commission | Per Accounting System | Variance |
|----------------------|---|--------------------------|----------|
| Gasoline Tax | \$109,552 | \$91,819 | \$17,733 |
| Permissive Sales Tax | 67,654 | 66,975 | 679 |
| Debt Service | 9,618 | 0 | 9,618 |

At December 31, 2008, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers or the budgetary statements for the following funds:

| Fund | Estimated Receipts Per County Budget Commission | Per Accounting System | Variance |
|-----------|---|--------------------------|-----------|
| Greenlawn | \$0 | \$1,500 | (\$1,500) |
| Lucas | 0 | 2 | (2) |
| Vangleder | 0 | 5 | (5) |

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-008 (Continued)

Material Weakness (Continued)

At December 31, 2008, appropriations as approved by the Township Trustees did not agree to the Township's ledgers or the budgetary statements for the following line items:

| Fund Line Item | Approved Appropriations | Posted to UAN | Variance |
|-------------------|----------------------------|------------------|------------|
| 1000-410-323-0000 | \$0 | \$21,667 | (\$21,667) |
| 2011-330-420-0020 | 500 | 1,500 | (1,000) |
| 2011-330-420-0030 | 500 | 1,500 | (1,000) |
| 2011-330-420-0050 | 1,000 | 3,000 | (2,000) |
| 2011-330-420-0060 | 1,000 | 3,000 | (2,000) |
| 2021-330-240-0000 | 2,000 | 4,000 | (2,000) |
| 2021-330-323-0000 | 3,000 | 13,000 | (10,000) |
| 2021-330-420-0060 | 2,000 | 17,626 | (15,626) |
| 2031-110-111-0000 | 4,300 | 0 | 4,300 |
| 2031-330-190-0000 | 29,000 | 14,388 | 14,612 |
| 2031-760-740-0000 | 14,114 | 2,000 | 12,114 |
| 2041-410-323-0000 | 0 | 906 | (906) |
| 2241-330-360-0000 | 0 | 20,000 | (20,000) |
| 2241-330-420-0000 | 0 | 49,852 | (49,852) |

Officials' Response: The Township chose not to respond to this finding.

**ADAMS TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2007-001 | Ohio Rev. Code Section 505.601 for reimbursing family health insurance. | Yes | |
| 2007-002 | Ohio Rev. Code Section 5705.41(B) for disbursements exceeded appropriations. | No | Not Corrected; Reissued in the current Schedule of Findings as 2009-006. |
| 2007-003 | Ohio Admin. Code and Material Weakness for errors in posting of receipts and expenditures. | No | Not Corrected; Reissued in the current Schedule of Findings as 2009-007. |
| 2007-004 | Material Weakness for errors in posting of budgeted receipts and expenditures. | No | Not Corrected; Reissued in the current Schedule of Findings as 2009-008. |
| 2007-005 | Article X11, Section 5a of Ohio Constitution for improper allocations of Fiscal Officer salary. | Yes | |
| 2007-006 | Noncompliance Citation and Material Weakness for debt covenant violation. | No | Not Corrected; Reissued in the current Management Letter. |



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
MAY 20, 2010**