



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

Adams Township  
Muskingum County  
7545 Bradford Road  
Adamsville, Ohio 43802

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Adams Township, Muskingum County, Ohio (the Township).

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2020 and 2019, and the respective changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, the beginning balances were restated at January 1, 2019 to correct a prior period transaction. As discussed in Note 12 to the financial statements, during 2020, the Township adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – All Governmental Fund Types. As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. Our opinions are not modified with respect to these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2023, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 4, 2023

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**Adams Township**  
**Muskingum County**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2020**

|  | General                | Special<br>Revenue      | Totals<br>(Memorandum<br>Only) |
|--|------------------------|-------------------------|--------------------------------|
| <b>Cash Receipts</b>                                 |                        |                         |                                |
| Property and Other Local Taxes                       | \$19,125               | \$39,339                | \$58,464                       |
| Intergovernmental                                    | 21,299                 | 149,204                 | 170,503                        |
| Earnings on Investments                              | 4                      | 13                      | 17                             |
| Miscellaneous  | 1,886                  | 0                       | 1,886                          |
| <i>Total Cash Receipts</i>                           | <u>42,314</u>          | <u>188,556</u>          | <u>230,870</u>                 |
| <b>Cash Disbursements</b>                            |                        |                         |                                |
| Current:   |                        |                         |                                |
| General Government                                   | 29,526                 | 0                       | 29,526                         |
| Public Works   | 0                      | 120,051                 | 120,051                        |
| Public Safety  | 0                      | 6,000                   | 6,000                          |
| Human Services                                       | 0                      | 487                     | 487                            |
| <i>Total Cash Disbursements</i>                      | <u>29,526</u>          | <u>126,538</u>          | <u>156,064</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>12,788</u>          | <u>62,018</u>           | <u>74,806</u>                  |
| <i>Fund Cash Balances, January 1</i>                 | <u>8,917</u>           | <u>97,388</u>           | <u>106,305</u>                 |
| <i>Fund Cash Balances, December 31</i>               | <u><u>\$21,705</u></u> | <u><u>\$159,406</u></u> | <u><u>\$181,111</u></u>        |

See accompanying notes to the basic financial statements

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**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Adams Township, Muskingum County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance. The Township contracts with the Village of Adamsville to provide fire services and to provide ambulance services.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

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

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

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2020 budgetary activity appears in Note 4.

***Deposits***

All deposits are maintained in a checking account.

***Capital Assets***

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

***Accumulated Leave***

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

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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***Fund Balance***

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

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

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

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

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

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

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

**Note 3 – Compliance**

Contrary to Ohio Rev. Code § 5705.10(D) property tax settlements and intergovernmental revenues were not included in the correct funds resulting in adjustment to certain funds' cash balance.

Contrary to Ohio Rev. Code § 5705.36, the Township did not certify to the county Auditor the total amount from all sources available for expenditure from each fund or obtain a certificate of estimated resources from the Budget Commission.

Contrary to Ohio Rev. Code § 5705.38(A), appropriations were not formally approved by Township Trustees. Since appropriations were not formally approved, expenditures in all funds exceeded appropriations contrary to Ohio Rev. Code § 5705.41(B) and amounts could not be certified for expenditure, as required by Ohio Rev. Code § 5705.41(D).

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2020 follows:

| 2020 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$0                  | \$42,314           | \$42,314  |
| Special Revenue                   | 0                    | 188,556            | 188,556   |
| Total                             | \$0                  | \$230,870          | \$230,870 |

| 2020 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$0                        | \$29,526                  | (\$29,526)  |
| Special Revenue                                       | 0                          | 126,538                   | (126,538)   |
| Total   | \$0                        | \$156,064                 | (\$156,064) |

**Note 5 – Deposits**

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

|                 |           |
|-----------------|-----------|
|                 | 2020      |
| Demand deposits | \$181,111 |

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 – Property Taxes**

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

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

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 7 – Risk Management**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

|                       | <u>2020</u>  |
|-----------------------|--------------|
| Cash and investments  | \$35,207,320 |
| Actuarial liabilities | \$10,519,942 |

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

**Note 9 – Public Entity Risk Pool**

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

**Note 10 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 0 percent of the employer contribution to fund these benefits.

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

In the second half of 2022, the Township purchased a New Holland Tractor. In the first quarter of 2023, the Township purchased a mo-trim.

**Note 12 – Change in Accounting Principle**

For 2020, the Township has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types. The effect of this change did not include restated beginning cash balance.

**Adams Township**  
**Muskingum County**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2019**

|   | General               | Special<br>Revenue     | Totals<br>(Memorandum<br>Only) |
|---|-----------------------|------------------------|--------------------------------|
| <b>Cash Receipts</b>  |                       |                        |                                |
| Property and Other Local Taxes                                    | \$18,866              | \$37,412               | \$56,278                       |
| Intergovernmental   | 18,282                | 127,818                | 146,100                        |
| Earnings on Investments   | 4                     | 7                      | 11                             |
| Miscellaneous   | 1,341                 | 1,507                  | 2,848                          |
| <i>Total Cash Receipts</i>  | <u>38,493</u>         | <u>166,744</u>         | <u>205,237</u>                 |
| <b>Cash Disbursements</b>   |                       |                        |                                |
| Current:  |                       |                        |                                |
| General Government  | 19,354                | 0                      | 19,354                         |
| Public Works  | 0                     | 151,392                | 151,392                        |
| Public Safety   | 0                     | 5,800                  | 5,800                          |
| Human Services  | 0                     | 6,826                  | 6,826                          |
| <i>Total Cash Disbursements</i>                                   | <u>19,354</u>         | <u>164,018</u>         | <u>183,372</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>              | <u>19,139</u>         | <u>2,726</u>           | <u>21,865</u>                  |
| <i>Fund Cash Balances, January 1 (Restated Beginning Balance)</i> | <u>(10,222)</u>       | <u>94,662</u>          | <u>84,440</u>                  |
| <b>Fund Cash Balances, December 31</b>                            |                       |                        |                                |
| Restricted  | 0                     | 70,301                 | 70,301                         |
| Committed   | 0                     | 27,087                 | 27,087                         |
| Unassigned  | 8,917                 | 0                      | 8,917                          |
| <i>Fund Cash Balances, December 31</i>                            | <u><u>\$8,917</u></u> | <u><u>\$97,388</u></u> | <u><u>\$106,305</u></u>        |

See accompanying notes to the basic financial statements

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**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Adams Township, Muskingum County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance. The Township contracts with the Village of Adamsville to provide fire services and to provide ambulance services.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

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

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

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2019 budgetary activity appears in Note 5.

***Deposits***

All deposits are maintained in a checking account.

***Capital Assets***

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

***Accumulated Leave***

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

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Fund Balance***

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

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

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

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

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

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

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

**Note 3 – Restatement of Fund Balance**

The beginning balances of the General Fund, Road and Bridge Fund and Motor Vehicle License Tax Fund were restated at January 1, 2019 as shown below due to a prior period illegal transfer made to the General Fund:

|                                    | General<br>Fund<br>Balance | Special Revenue<br>Fund<br>Balance |
|------------------------------------|----------------------------|------------------------------------|
|                                    | <u>          </u>          | <u>          </u>                  |
| Beginning Balance, January 1, 2019 | \$ 9,778                   | \$ 74,662                          |
| Adjustment                         | <u>(20,000)</u>            | <u>20,000</u>                      |
| Restated January 1, 2019 Balance   | <u><u>\$ (10,222)</u></u>  | <u><u>\$ 94,662</u></u>            |

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 4 – Compliance**

Contrary to Ohio law, the Township made transfers totaling \$20,000 from the Special Revenue Funds to the General Fund. The Township has posted an adjustment to their accounting records to remove the effects of these illegal transfers and therefore they are reflected in the accompanying financial statements. The effect of these transfers in the accompanying financial statements in the General Fund resulted in a restated cash deficit fund balance of \$10,222, as of December 31, 2018, which is also contrary to the Ohio Revised Code.

Contrary to Ohio Rev. Code § 5705.10(D) property tax settlements and intergovernmental revenues were not included in the correct funds resulting in adjustment to certain funds' cash balance.

Contrary to Ohio Rev. Code § 5705.36, the Township did not certify to the county Auditor the total amount from all sources available for expenditure from each fund or obtain a certificate of estimated resources from the Budget Commission.

Contrary to Ohio Rev. Code § 5705.38(A), appropriations were not formally approved by Township Trustees. Since appropriations were not formally approved, expenditures in all funds exceeded appropriations contrary to Ohio Rev. Code § 5705.41(B) and amounts could not be certified for expenditure, as required by Ohio Rev. Code § 5705.41(D).

**Note 5 – Budgetary Activity**

Budgetary activity for the year ending 2019 follows:

| 2019 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$0                  | \$38,493           | \$38,493  |
| Special Revenue                   | 0                    | 166,744            | 166,744   |
| Total                             | \$0                  | \$205,237          | \$205,237 |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$0                        | \$19,354                  | (\$19,354)  |
| Special Revenue                                       | 0                          | 164,018                   | (164,018)   |
| Total   | \$0                        | \$183,372                 | (\$183,372) |

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 6 – Deposits**

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

|                 |             |
|-----------------|-------------|
|                 | <u>2019</u> |
| Demand deposits | \$106,305   |

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 7 – Property Taxes**

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

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

**Note 8 – Risk Management**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

|                       |              |
|-----------------------|--------------|
|                       | <u>2019</u>  |
| Cash and investments  | \$33,097,416 |
| Actuarial liabilities | \$ 7,874,610 |

**Adams Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 9 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**Note 10 – Public Entity Risk Pool**

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

**Note 11 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 0 percent of the employer contribution to fund these benefits.

**Note 12 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

In the second half of 2022, the Township purchased a New Holland Tractor. In the first quarter of 2023, the Township purchased a mo-trim.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Adams Township  
Muskingum County  
7545 Bradford Road  
Adamsville, Ohio 43802

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Adams Township, Muskingum County, Ohio (the Township), and have issued our report thereon dated May 4, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We noted the beginning balances were restated at January 1, 2019 to correct a prior period transaction. We noted the Township adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – All Governmental Fund Types. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Township.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2020-001 through 2020-007 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 financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2020-001 through 2020-006.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

May 4, 2023

**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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**FINDING NUMBER 2020-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

If using the annual salary compensation method, the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in Ohio Rev. Code § 505.24(C), and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Ohio Rev. Code § 507.09(D) provides that a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

In both 2020 and 2019, each of the Trustees' monthly time certifications indicated that 10% of the time was spent on General Fund activities, 45% on Gasoline Tax Fund activities, and 45% on Road and Bridge Fund activities. However, the salaries were allocated an average of 13% to the General Fund, 55% to the Gasoline Tax Fund, and 32% to the Road and Bridge Fund in 2020. Salaries were allocated an average of 10% to the General Fund, 45% to the Gasoline Tax Fund, and 45% to the Road and Bridge Fund; however, each individual trustee was not allocated at these percentages in 2019.

In both 2020 and 2019, the Fiscal Officer's monthly time certifications indicated that 80% of the time was spend on the General Fund activities and 20% on Motor Vehicle License Tax Fund activities. However, 2020 salary was allocated 33% to the General Fund, 60% to the Motor Vehicle License Tax Fund, and 7% to the Gasoline Tax Fund. 2019 salary was allocated 70% to the General Fund and 30% to the Motor Vehicle License Tax Fund.

These errors resulted in misstatements to the financial statements. Management has made the following adjustments for wage and employer benefits to the accompanying financial statements and the accounting records:

| <b>2020 Fund:</b>         | <b>General Government Disbursements<br/>Over/(Under)-stated</b> |
|---------------------------|---|
| General                   | (\$4,418)   |
| Motor Vehicle License Tax | 4,289   |
| Gasoline Tax              | 2,879   |
| Road and Bridge           | (2,750)   |

**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2020-001 (Continued)**

**Noncompliance and Material Weakness (Continued)**

| <b>2019 Fund:</b>         | <b>General Government Disbursements<br/>Over/(Under)-stated</b> |
|---------------------------|---|
| General                   | (\$1,285)   |
| Motor Vehicle License Tax | 1,065   |
| Gasoline Tax              | 102   |
| Road and Bridge           | 118   |

The Township should draft, approve, and implement policies and procedures to help ensure compensation and certifications are completed in accordance with Ohio Rev. Code §§ 505.24 and 507.09.

**FINDING NUMBER 2020-002**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Furthermore, in our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod.1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Various adjustments were made to the Township's financial statements for 2020 and 2019 including adjustments necessary to report fund balances in accordance with GASB Statement No. 54 for 2019.

For the fiscal year ending December 31, 2020, the following adjustments were noted:

- Local government receipts and miscellaneous revenue were improperly posted as Property and Other Local Taxes in the General Fund rather than Intergovernmental and Miscellaneous, in the amount of \$19,238 and \$1,886, respectively.
- Property and Other Local Taxes were posted entirely to the Gasoline Tax Fund instead of General Fund, Fire Fund and Road and Bridge Fund in the amounts of \$11,011, \$6,074 and \$16,697, respectively.

**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

|  |
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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2020-002 (Continued)**

**Noncompliance and Material Weakness (Continued)**

- Intergovernmental revenue receipts were posted to the Fire Fund instead of the Motor Vehicle License Tax Fund in the amount of \$791,
- Homestead and rollback receipts were posted entirely to the General Fund as Property and Other Local Taxes, in the amounts of \$4,075, instead of Intergovernmental, in the amounts of \$3,054 and \$1,021, in the Road and Bridge and Fire Funds, respectively. Additionally, \$2,061 in Homestead and Rollback receipts were improperly classified as Property and Other Local Taxes within the General Fund instead of Intergovernmental Revenue.
- Excess IRP was improperly posted as Property and Other Local Taxes, in the amount of \$400 in the General Fund, instead of Intergovernmental in the Motor Vehicle License Tax Fund.
- Motor vehicle license tax was improperly posted to the Gasoline Tax Fund as Intergovernmental instead of the Motor Vehicle License Tax Fund, in the amount of \$1,169.
- Expenditures, totaling \$120,051, of the Motor Vehicle License Tax, Gasoline Tax and Road and Bridge Funds were improperly classified as General Government rather than Public Works.

For the fiscal year ending December 31, 2019, the following adjustments were noted:

- Local government receipts were improperly posted as Property and Other Local Taxes rather than Intergovernmental and Property Taxes were posted as Intergovernmental Revenue at the net amount rather than Property and Other Local Taxes at the gross amount with deductions posted as disbursements. This resulted in a net overstatement of Intergovernmental Revenue and understatement of Property and Other Local Taxes of \$333 and an understatement of General Government Expenditures of \$972.
- The first and second half homestead and rollback receipt was posted entirely to the Gasoline Tax Fund, in the amount of \$6,136, instead of Intergovernmental, in the amounts of \$2,062, \$1,017 and \$3,056, in the General, Fire and Road and Bridge Funds, respectively.
- The fund balance of the Road and Bridge Fund, consisting of inside millage, was improperly classified as Restricted rather than Committed in the amount of \$13,913.
- Miscellaneous receipts were improperly classified as Property and Other Local Taxes in the Gasoline Tax Fund and the Road and Bridge Fund in the amount of \$480 and \$1,027, respectively.
- Miscellaneous Revenue was missposted as Intergovernmental Revenue within the General Fund in the amount of \$1,341.
- Intergovernmental Revenue of \$858 within the Gasoline Tax Fund was misclassified as Property and Other Local Taxes.
- Expenditures, totaling \$151,392, of the Gasoline Tax and Road, Motor Vehicle License Tax Fund and Bridge Funds were improperly classified as General Government rather than Public Works.

Audit adjustments, with which management has agreed, have been recorded in the accompanying financial statements to properly reflect these amounts. In addition to the adjustments listed above, we also identified additional immaterial adjustments, with which management has agreed, and unadjusted misstatements ranging from \$232 to \$504 that we have brought to the attention of the Township's management.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Township's financial information.

**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2020-002 (Continued)**

**Noncompliance and Material Weakness (Continued)**

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

**FINDING NUMBER 2020-003**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.14 states, in part, that no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as follows:

- (A) The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- (B) The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- (C) (1) Except as provided in division (C)(2) of this section, the unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance, with the approval of the court of common pleas of the county in which such division is located, may be transferred to any other fund of the subdivision.
- (2) Money in a bond fund or bond retirement fund of a city, local, exempted village, cooperative education, or joint vocational school district may be transferred to a specific permanent improvement fund provided that the county budget commission of the county in which the school district is located approves the transfer upon its determination that the money transferred will not be required to meet the obligations payable from the bond fund or bond retirement fund. In arriving at such a determination, the county budget commission shall consider the balance of the bond fund or bond retirement fund, the outstanding obligations payable from the fund, and the sources and timing of the fund's revenue.
- (D) The unexpended balance in any special fund, other than an improvement fund, existing in accordance with division (D), (F), or (G) of § 5705.09 or § 5705.12, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- (E) Money may be transferred from the general fund to any other fund of the subdivision.

**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2020-003 (Continued)**

**Noncompliance and Material Weakness (Continued)**

During 2018, the Township made a transfer from the Motor Vehicle License Tax Fund to the General Fund in the amount of \$10,000 and a transfer from the Road and Bridge Fund to the General Fund in the amount of \$10,000. These two transfers are not allowable under the provisions of Ohio Rev. Code § 5705.14. In addition, we noted no evidence of these transfers being approved by the Board.

The Fiscal Officer repaid the adjustment from the General Fund, in the amount of \$20,000, and in favor of the Motor Vehicle License Tax Fund, in the amount of \$10,000, and the Road and Bridge Fund, in the amount of \$10,000. This adjustment is reflected within the restatement of the January 1, 2019 balances.

The Township should review the Ohio Township Handbook and Ohio Revised Code Section 5705.14 to determine what transfers are allowable. Then, establish policies and procedures to ensure that only allowable transfers are made following established requirements.

**FINDING NUMBER 2020-004**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2020 or 2019. This was not detected by the Township due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2020-005**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.38(A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township failed to approve appropriations for both 2020 and 2019; therefore, 100% of Township expenditures exceeded appropriations. Failure to have adequate appropriations in place at the time expenditures are made could result in deficit spending practices.

The Township should ensure that permanent appropriations are approved on or about January 1 of each year. The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**FINDING NUMBER 2020-006**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

Due to deficiencies in internal controls, 100% of the transactions tested at year-end were not properly certified by the Fiscal Officer, as the Township Board of Trustees failed to adopt appropriations for both 2020 and 2019. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Proper certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
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**FINDING NUMBER 2020-007**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipt ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system due to the Township not approving their Annual Appropriators nor any amendments or file their Certificate of Estimated Resources throughout 2020 and 2019. Therefore, appropriations (and/or amendments thereof) nor Certificate of Estimated Resources (and/or amendments thereof) were properly posted to the accounting system.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) posted to the accounting system were not approved by Board. Additionally, the estimated receipts amounts posted to the accounting system were not approved as a Certificate of Estimated Resources (and/or amendments thereof) were not obtained.

Failure to accurately post estimated resources and appropriations to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

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

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**ADAMS TOWNSHIP  
MUSKINGUM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2020 AND 2019**

| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Status</b>                       | <b>Additional Information</b>   |
|-----------------------|---|-------------------------------------|---|
| 2018-001              | Ohio Rev. Code § 5705.14 for transfers from unallowable funds into the General Fund.  | Not Corrected                       | Finding repeated as Finding 2020-003. Township posted adjustments; therefore, no longer a finding for adjustment. |
| 2018-002              | Ohio Rev. Code § 5705.10(I) – deficit fund balances.  | Corrected                           | Audit adjustments from Finding 2018-001 were posted by the Township.  |
| 2018-003              | Ohio Rev. Code § 5705.38(A) – adoption of permanent appropriations.   | Not Corrected                       | Repeated as Finding 2020-005.   |
| 2018-004              | Ohio Rev. Code § 5705.39 – appropriations exceeded estimated resources in certain funds.  | No Longer Warranting Further Action | See Finding 2020-005.   |
| 2018-005              | Ohio Rev. Code §§ 5705.40 and 5705.41(B) – supplemental appropriations not always approved and expenditures exceeded appropriations in certain funds. | Not Corrected                       | Repeated as Finding 2020-005.   |
| 2018-006              | Budgetary measures not properly posted to the accounting system.  | Not Corrected                       | Repeated as Finding 2020-007.   |
| 2018-007              | Ohio Rev. Code § 5705.10(D) and financial reporting – improper posting and/or classification of activity and account balances.                        | Not Corrected                       | Repeated as Finding 2020-002.   |

# OHIO AUDITOR OF STATE KEITH FABER



**ADAMS TOWNSHIP**

**MUSKINGUM COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/23/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)