



Dave Yost • Auditor of State



**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

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# Dave Yost • 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

June 27, 2012

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# Dave Yost • Auditor of State

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, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

During 2010, the Township paid \$4,583 of the Trustees' insurance reimbursements out of the Road and Bridge Fund and \$891 of Township's share of retirement payments from the Gasoline Tax Fund, Special Revenue Fund types. Since the Trustees' salaries were paid 100% from the General Fund, these payments for fringe benefits should follow the payment for salaries. During 2011, the Township paid \$300 of a Trustee's insurance reimbursement from the Gasoline Tax Fund, Special Revenue Fund type, instead of pro-rating the payment to the General Fund to coincide with the Trustee's timesheet charges. The cumulative amount that should have been paid out of the General Fund for the insurance reimbursements and employer's share of fringe benefits was \$5,774. The Township declined to make this adjustment.

During 2010 and 2011, the Fiscal Officer posted homestead and rollback monies entirely to the General Fund. The amount that should have been posted to the Road and Bridge Fund was \$7,157 for 2010 and \$7,204 for 2011. The Township declined to make these adjustments.

Also, in our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Adams Township, Washington County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 9, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 9 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 2, during 2011 Adams Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, 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.



**Dave Yost**  
Auditor of State

June 27, 2012

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 20,484	\$ 38,356	\$ 0	\$ 58,840
Licenses, Permits and Fees		12,150		12,150
Intergovernmental	31,585	189,906		221,491
Earnings on Investments	37	108	424	569
Miscellaneous	1,368	3,850		5,218
<b>Total Cash Receipts</b>	<b>53,474</b>	<b>244,370</b>	<b>424</b>	<b>298,268</b>
<b>Cash Disbursements</b>				
Current:				
General Government	51,562	1,155		52,717
Public Works		218,310		218,310
Health	5,752	12,829		18,581
Capital Outlay		6,800		6,800
Debt Service:				
Principal Retirement		17,015		17,015
Interest and Fiscal Charges		2,437		2,437
<b>Total Cash Disbursements</b>	<b>57,314</b>	<b>258,546</b>	<b>0</b>	<b>315,860</b>
Excess of Cash Receipts Over (Under) Cash Disbursements	(3,840)	(14,176)	424	(17,592)
Fund Cash Balances, January 1	13,043	125,154	19,524	157,721
<b>Fund Cash Balances, December 31</b>				
Nonspendable			8,946	8,946
Restricted		110,978	11,002	121,980
Unassigned (Deficit)	9,203			9,203
<b>Fund Cash Balances, December 31</b>	<b>\$ 9,203</b>	<b>\$ 110,978</b>	<b>\$ 19,948</b>	<b>\$ 140,129</b>

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

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Governmental Fund Types</b>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 20,063	\$ 36,371	\$ 0	\$ 0	\$ 56,434
Licenses, Permits and Fees		7,625			7,625
Intergovernmental	32,792	135,305			168,097
Earnings on Investments	83	150		425	658
Miscellaneous	1,907	2,800			4,707
<b>Total Cash Receipts</b>	<b>54,845</b>	<b>182,251</b>	<b>0</b>	<b>425</b>	<b>237,521</b>
<b>Cash Disbursements</b>					
Current:					
General Government	73,890	800			74,690
Public Works		147,951			147,951
Health	7,865	5,170			13,035
Capital Outlay		55,114			55,114
Debt Service:					
Principal Retirement		11,523	1,778		13,301
Interest and Fiscal Charges		1,160			1,160
<b>Total Cash Disbursements</b>	<b>81,755</b>	<b>221,718</b>	<b>1,778</b>	<b>0</b>	<b>305,251</b>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(26,910)	(39,467)	(1,778)	425	(67,730)
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds		52,977			52,977
<b>Total Other Financing Receipts (Disbursements)</b>	<b>0</b>	<b>52,977</b>	<b>0</b>	<b>0</b>	<b>52,977</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,910)	13,510	(1,778)	425	(14,753)
Fund Cash Balances, January 1 (Restated - See Note 2)	39,953	111,644	1,778	19,099	172,474
<b>Fund Cash Balances, December 31</b>	<b>\$ 13,043</b>	<b>\$ 125,154</b>	<b>\$ 0</b>	<b>\$19,524</b>	<b>\$ 157,721</b>

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

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 the 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. Deposits**

The Township had one primary, interest bearing checking account during the audit period and certificates of deposits which are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

Permissive Sales Tax Fund - This fund receives funds from Washington County through the one-half percent sales tax for road repairs.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Debt Service Funds**

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

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

**4. Permanent Funds**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. A. Change in Accounting Principle**

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**B. Restatement of Fund Balance**

For the year ended December 31, 2009, a prior period fund balance adjustment resulted in a fund balance restatement as follows:

Governmental Fund:	Fund Balance at December 31, 2009	Restatement Amount	Fund Balance at January 1, 2010
Permanent	\$ 19,206	\$ (107)	\$ 19,099

**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:

	2011	2010
Demand deposits	\$128,842	\$146,434
Certificates of deposit	11,287	11,287
Total deposits	\$140,129	\$157,721

**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 December 31, 2011 and 2010 follows:

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,845	\$53,474	(\$1,371)
Special Revenue	221,975	244,370	22,395
Permanent	425	424	(1)
Total	\$277,245	\$298,268	\$21,023

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,881	\$57,314	\$10,567
Special Revenue	398,384	258,546	139,838
Permanent	0	0	0
Total	\$466,265	\$315,860	\$150,405

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,839	\$54,845	\$6
Special Revenue	284,051	235,228	(48,823)
Debt Service	5,696	0	(5,696)
Permanent	209	425	216
Total	\$344,795	\$290,498	(\$54,297)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,361	\$81,755	\$42,606
Special Revenue	324,698	221,718	102,980
Debt Service	0	1,778	(1,778)
Permanent	0	0	0
Total	\$449,059	\$305,251	\$143,808

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service Fund principal line item account by \$1,778, for the year ended December 31, 2010.

**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.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Property Tax (Continued)**

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

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

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note	\$ 30,802	4.38

The Township issued a promissory note to finance the purchase of a John Deere tractor for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	<u>Promissory Note</u>
2012	\$8,933
2013	8,933
2014	8,933
2015	<u>6,700</u>
Total	<u><u>\$33,499</u></u>

**7. Retirement Systems**

The Township's employees and officials 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 2011 and 2010, 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, 2011.

**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,

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (Continued)**

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.

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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$4,108	\$3,145

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool.

Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**9. Financial Difficulties**

At December 31, 2011, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2010 that the management of the Township declined to make in 2010):

Fund	12/31/11 Balance	Adjustments Not Made	Effect on 12/31/11 Balance
General	\$9,203	(\$20,135)	(\$10,932)
Special Revenue	\$110,978	\$20,135	\$131,113

The Township has no formal plans for increasing the revenue stream of the General Fund, but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type affects only the Road and Bridge Fund.



# Dave Yost • 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, OH 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, 2011 and 2010, and have issued our report thereon dated June 27, 2012, wherein we expressed an adverse opinion on the 2011 and 2010 financial statements due to certain misstatements of receipts and expenditures in the financial statements. We also noted the Township is experiencing financial difficulties, followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54 for 2011. We also noted 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(A) mandates 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 opinions 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 2011-01 through 2011-02, 2011-04 and 2011-05 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 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 27, 2012.

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



**Dave Yost**  
Auditor of State

June 27, 2012

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Finding for Adjustment/Material Weakness/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 first noted in the Management Letter of Adams Township for the years ending December 31, 2007 and 2006, which was released on September 18, 2008.

In 2010, the Board of Trustees did not establish administrative procedures to document how they spent their time. As a result, all Board of Trustee salaries were paid from the General Fund for 2010. The Fiscal Officer paid \$891 of employer share of Ohio Public Employees Retirement System (OPERS) from the Gasoline Tax Fund, Special Revenue Fund type. Additionally, the Fiscal Officer paid \$4,583 of a Trustee's insurance reimbursement from the Road and Bridge Fund rather than entirely from the General Fund.

In 2011, the Board of Trustees did establish administrative procedures to document how they spent their time. The Fiscal Officer paid a Trustees' insurance reimbursement entirely from the Gasoline Tax Fund, Special Revenue Fund type, instead of pro-rating the reimbursement according to the Trustee's time sheet. The Trustee's timesheet documents that, at a minimum, \$300 should have been charged to the General Fund instead of the Gasoline Tax Fund.

A finding for adjustment is hereby issued against the Adams Township General Fund, in the amount of \$5,774, and in favor of the Adams Township Road and Bridge Fund and Gasoline Tax Fund, Special Revenue Fund types, in the amounts of \$4,583 and \$1,191, respectively.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-02**

**Finding for Adjustment/Material Weakness/Noncompliance Citation**

Ohio Rev. Code Section 5705.10(D) requires 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.

During 2010 and 2011, the Fiscal Officer incorrectly posted \$7,157 and \$7,204, respectively, of homestead and rollback receipts to the General Fund instead of the Road and Bridge Fund.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Adams Township General Fund in the amount of \$14,361 and in favor of the Adams Township Road and Bridge Fund, Special Revenue Fund type, in the amount of \$14,361.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

**FINDING NUMBER 2011-03**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-03 (Continued)**

**Noncompliance Citation (Continued)**

Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

2. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for eighteen percent of the expenditures tested in 2011 and twenty percent of the expenditures tested in 2010, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Additionally, the Township utilized "blanket" certificates and did not establish a threshold for such certificates.

Unless the exceptions noted above are used, prior 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, we recommend that the Township Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used. The Township utilized then and now certificates in a majority of their purchase orders. Then and now certificates are to be used only for exceptions.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. We also recommend that the Board establish a threshold for "blanket" certificates and only use then and now certificates as the exception.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-04**

**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, 2011, 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	Estimated Receipts per Township's Accounting System	Variance
Permissive Sales Tax	\$23,921	\$75,177	(\$51,256)
Vangelder Bequest	0	100	(100)

At December 31, 2010, 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	Estimated Receipts per Township's Accounting System	Variance
General	\$54,839	\$76,295	(\$21,456)
Gasoline Tax	129,414	111,760	17,654
Road and Bridge	47,796	49,381	(1,585)
Cemetery	10,025	10,425	(400)
Debt Service	5,696	0	5,696
Lucas Bequest	5	0	5
Greenlawn Bequest	205	0	205

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-04 (Continued)**

**Material Weakness (Continued)**

At December 31, 2010, appropriations as approved by the Township Trustees did not agree to the Township's ledgers or the budgetary statements at the legal level of control for the following line items:

Line Item Account	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
2011-820-820	\$5,450	\$15,381	(\$9,931)
2021-820-820	6,950	26,812	(19,862)
2031-330-382	2,800	3,200	(400)
2031-330-389	17,200	16,800	400
2031-760-740	1,798	17,276	(15,478)
3101-820-820	0	1,778	(1,778)

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer accurately post appropriations as approved by the Board of Trustees and estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**FINDING NUMBER 2011-05**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

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

**2011**

- Homestead and rollback in the amount of \$2,401 posted to taxes instead of intergovernmental revenue in the General Fund;
- Permissive sales tax in the amount of \$81,807 posted to taxes instead of intergovernmental revenue in the Permissive Sales Tax Fund; and
- Taxes were posted at net instead of gross in the General Fund (\$208) and Road and Bridge Fund (\$601).

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-05 (Continued)**

**Material Weakness (Continued)**

**2010**

- Debt proceeds in the amount of \$13,253 for a compact excavator not posted by the Township to the ledgers;
- Debt proceeds in the amount of \$9,906 and \$19,811 for a John Deere tractor posted to principle instead of capital outlay in the Motor Vehicle License Tax Fund and Gasoline Tax Fund, respectively;
- Debt proceeds posted to intergovernmental revenue in the Road and Bridge Fund (\$9,931), posted to other revenue in the Motor Vehicle License Tax Fund (\$9,931), and posted to other financing sources in the Gasoline Tax Fund (\$19,862) instead of posted to Other Debt Proceeds;
- Principal payments in the amount of \$412 and interest payments in the amount of \$146 posted to capital outlay in the Road and Bridge Fund;
- Homestead and rollback in the amount of \$2,514 posted to taxes instead of intergovernmental revenue in the General Fund;
- Property tax reimbursement posted to taxes instead of intergovernmental revenue in the General Fund (\$219) and the Road and Bridge Fund (\$665); and
- Permissive sales tax in the amount of \$23,921 posted to taxes instead of intergovernmental revenue in the Permissive Sales Tax Fund.

These misstatements were caused by management oversight. As a result, significant reclassifications, with which the Township's management agrees, were made to the financial statements, and are reflected in the accompanying financial statements.

**Officials Response:** The Township officials chose not to respond to anything in the Schedule of Findings.

**ADAMS TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2009-001	A material noncompliance citation was issued under Ohio Rev. Code Section 505.24(C) for paying \$7,466 of insurance reimbursements from the Road and Bridge Fund and Gasoline Tax Fund for 2010 and 2011 rather than the General Fund where 100% of salaries were paid.	Partially Corrected	The 2009-2008 amount was adjusted during the 2009-2008 audit, but the same issue occurred during the current 2011-2010 audit as Finding 2011-01.
2009-002	A finding for recovery was issued under Ohio Rev. Code Section 505.601(A) for Mr. Isner, Township Trustee, being reimbursed \$1,000 more than what the policy that was in effect at the time he took office was for.	Yes	\$1,000 was paid back to the Township General Fund in 2010.
2009-003	A finding for recovery was issued under Ohio Rev. Code Section 505.601(A) for Mr. Huck, Township Trustee, being reimbursed \$907 more than what the policy that was in effect at the time he took office was for.	Yes	\$907 was paid back to the Township General Fund in 2010.
2009-004	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36(A)(4) for appropriations exceeding actual resources during 2009 and 2008.	No	Reissued in Management Letter.
2009-005	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources during 2009 and 2008.	No	Reissued in Management Letter.
2009-006	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations during 2008.	No	Reissued in Management Letter.
2009-007	A material weakness was issued for the missposting of receipts and disbursements during 2009 and 2008.	No	Reissued as Finding 2011-05.
2009-008	A material weakness was issued for budgetary amounts approved by the Board of Trustees and Budget Commission not agreeing to amounts posted to the Township's accounting system for 2009 and 2008.	No	Reissued as Finding 2011-04.

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# Dave Yost • Auditor of State

ADAMS TOWNSHIP-WASHINGTON COUNTY

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  
JULY 19, 2012