



OHIO AUDITOR OF STATE
KEITH FABER



**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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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 by fund type, and related notes of Adams Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on the Regulatory Basis of Accounting

During the year ended December 31, 2018, the Township posted interfund transfers of \$20,000 from its Special Revenue Funds to the General Fund. These transfers are not legal transfers under the provisions of Ohio Rev. Code § 5705.14. A finding for adjustment issued for noncompliance for these transfers has not been posted by the Township.

Qualified Opinion on the Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Adams Township, Muskingum County, Ohio, as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Adams Township, Muskingum County, Ohio, as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements for the year ended December 31, 2018, the Township is experiencing financial difficulties as a result of previous adjustments made to the Township's General Fund, and if the adjustments noted in the *Basis for Qualified Opinion on the Regulatory Basis of Accounting* paragraph were made, the General Fund would have a negative \$10,222 fund balance at December 31, 2018. As discussed in Note 11 to the financial statements for the year ended December 31, 2017, the Township's General Fund had a negative fund balance of \$24,790 as a result of previous adjustments. As of the date of this report, management does not have a formal plan in place to alleviate this situation. The financial statements do not include any adjustments that may result from the outcome of this uncertainty. This matter does not affect our opinion on the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020, 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

February 10, 2020

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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, 2018**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$16,979 | \$35,311 | \$52,290 |
| Intergovernmental | 20,198 | 105,197 | 125,395 |
| Earnings on Investments | 1 | 10 | 11 |
| <i>Total Cash Receipts</i> | <u>37,178</u> | <u>140,518</u> | <u>177,696</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 22,610 | 0 | 22,610 |
| Public Safety | 0 | 9,800 | 9,800 |
| Public Works | 0 | 157,700 | 157,700 |
| <i>Total Cash Disbursements</i> | <u>22,610</u> | <u>167,500</u> | <u>190,110</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>14,568</u> | <u>(26,982)</u> | <u>(12,414)</u> |
| Other Financing Receipts (Disbursements) | | | |
| Transfers In | 20,000 | 0 | 20,000 |
| Transfers Out | 0 | (20,000) | (20,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>20,000</u> | <u>(20,000)</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | 34,568 | (46,982) | (12,414) |
| <i>Fund Cash Balances, January 1</i> | <u>(24,790)</u> | <u>121,644</u> | <u>96,854</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 36,920 | 36,920 |
| Committed | 0 | 37,742 | 37,742 |
| Unassigned | 9,778 | 0 | 9,778 |
| <i>Fund Cash Balances, December 31</i> | <u>\$9,778</u> | <u>\$74,662</u> | <u>\$84,440</u> |

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

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Adams Township
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2018

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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, 2018

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 law, the Township made transfers totaling \$20,000 from the Special Revenue Funds to the General Fund. The Township has not 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. If the effects of these transfers were removed from the accompanying financial statements the General Fund would have had a cash deficit fund balance of \$10,222, as of December 31, 2018, which is also contrary to the Ohio Revised Code.

Furthermore, the Township failed to comply with provisions of Ohio law regarding the timely adoption of appropriations and subsequent supplemental appropriations. In addition, appropriations exceeded estimated resources in the General and Fire Funds in the amounts of \$34,946 and \$6,818, respectively. Also, expenditures exceeded appropriations in the Gasoline Tax and Road and Bridge Funds by \$14,506 and \$17,593, respectively.

Adams Township
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$32,185 | \$57,178 | \$24,993 |
| Special Revenue | 119,884 | 140,518 | 20,634 |
| Total | \$152,069 | \$197,696 | \$45,627 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$40,442 | \$22,610 | \$17,832 |
| Special Revenue | 157,000 | 187,500 | (30,500) |
| Total | \$197,442 | \$210,110 | (\$12,668) |

Note 5 – Deposits and Investments

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

| | |
|-----------------|----------|
| | 2018 |
| Demand deposits | \$84,440 |

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, 2018

Note 7 – Risk Management

The Township is a member of 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 may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- General liability and casualty;
- Public official’s liability; and
- Vehicle.

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

| | |
|-----------------------|--------------|
| | <u>2018</u> |
| Cash and investments | \$33,097,416 |
| Actuarial liabilities | \$7,874,610 |

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Five 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, 2018.

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.

Note 11 – Financial Difficulties

As discussed in Note 3, at December 31, 2018, the Township has audit adjustments that it chose not to make due to the negative impact posting these adjustments would have on the General Fund balance. These adjustments were not posted to the financial statements or accounting records of the Township. If these adjustments were posted to the financial statements and accounting records it would result in the Township’s General Fund balance, at December 31, 2018, being reduced from \$9,778 to a deficit balance of \$10,222. At this time, the Township does not have a formal plan in place to alleviate this situation.

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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, 2017**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|--------------------------|-------------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$17,725 | \$33,552 | \$51,277 |
| Intergovernmental | 19,731 | 105,006 | 124,737 |
| Earnings on Investments | 1 | 8 | 9 |
| <i>Total Cash Receipts</i> | <u>37,457</u> | <u>138,566</u> | <u>176,023</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 38,397 | 0 | 38,397 |
| Public Safety | 0 | 10,511 | 10,511 |
| Public Works | 0 | 111,885 | 111,885 |
| <i>Total Cash Disbursements</i> | <u>38,397</u> | <u>122,396</u> | <u>160,793</u> |
| <i>Excess of Receipts (Under) Disbursements</i> | <u>(940)</u> | <u>16,170</u> | <u>15,230</u> |
| <i>Fund Cash Balances, January 1</i> | <u>(23,850)</u> | <u>105,474</u> | <u>81,624</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 93,540 | 93,540 |
| Committed | 0 | 28,104 | 28,104 |
| Unassigned | <u>(24,790)</u> | <u>0</u> | <u>(24,790)</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>(\$24,790)</u></u> | <u><u>\$121,644</u></u> | <u><u>\$96,854</u></u> |

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

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Adams Township
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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, 2017

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 law, at December 31, 2017, the General Fund had a cash deficit balance of \$24,790. Furthermore, the Township failed to comply with provisions of Ohio law regarding the timely adoption of appropriations and subsequent supplemental appropriations. In addition, appropriations exceeded estimated resources in the General, Gasoline Tax and Fire Funds in the amounts of \$2,184, \$6,926 and \$1,957, respectively.

Adams Township
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$33,850 | \$37,457 | \$3,607 |
| Special Revenue | 129,960 | 138,566 | 8,606 |
| Total | \$163,810 | \$176,023 | \$12,213 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$40,442 | \$38,397 | \$2,045 |
| Special Revenue | 177,000 | 122,396 | 54,604 |
| Total | \$217,442 | \$160,793 | \$56,649 |

Note 5 – Deposits and Investments

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

| | |
|-----------------|------------------|
| Demand deposits | 2017 \$96,854 |
|-----------------|------------------|

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, 2017

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

| | 2017 |
|--------------|--------------|
| Assets | \$40,010,732 |
| Liabilities | 8,675,465 |
| Net Position | \$31,335,267 |

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below.

Adams Township
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

| |
|-------------------------------------|
| 2017 Contributions to OTARMA |
| \$3,891 |

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Five 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, 2017.

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 1 percent of the employer contribution to fund these benefits.

Note 11 – Financial Difficulties

In previous years, the General Fund had audit adjustments that were posted to the financial statements and accounting records that resulted in a fund deficit. At December 31, 2017, the Township's General Fund had a deficit cash fund balance of \$24,790. At this time, the Township does not have a formal plan in place to alleviate this situation.

OHIO AUDITOR OF STATE KEITH FABER



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The Plains, Ohio 45780-1231
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SoutheastRegion@ohioauditor.gov

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

Adams Township
Muskingum County
7545 Bradford Road
Adamsville, Ohio 43802

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Adams Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 10, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also issued a qualified opinion due to material adjustments which were not made by the Township for the year ended December 31, 2018. In addition, we noted the Township is experiencing financial difficulties due to negative General Fund balances.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 2018-001, 2018-004, 2018-006 and 2018-007 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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2018-001 through 2018-005 and 2018-007.

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

February 10, 2020

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Finding for Adjustment 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.

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.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Adams Township, Muskingum County General Fund, in the amount of \$20,000, and in favor of the Gasoline Tax Fund, in the amount of \$10,000 and the Road and Bridge Fund, in the amount of \$10,000.

The Fiscal Officer should only post transfers that are allowable and approved by the Board of Trustees.

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2018-002

Noncompliance

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

In the prior audit there was no supporting documentation or payroll certifications kept on file for the Trustees payroll charged to funds other than the General Fund, as required. This resulted in a fund balance adjustment being made by the Township and a deficit fund balance in the Township's General Fund. At December 31, 2017, we noted the Township's General Fund Balance was (\$24,790). Furthermore, as discussed in Finding Number 2018-001, the Township made illegal transfers of \$20,000 from the Road and Bridge Fund and Gasoline Tax Fund to the General Fund during 2018. This transfer eliminated the deficit fund balance on the Township's records; however, since this transfer was not legal the Township's reported General Fund balance of \$9,778 should have been a deficit balance of (\$10,222).

Deficit fund balances could result in the Township being unable to pay its obligations from allowable sources of revenues.

The Fiscal Officer and Trustees should monitor the expenditures and fund balances of the Township to prevent future expenditures in excess of available resources.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 5705.38(A) requires 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.

We noted the Township did not adopt annual appropriation measures until June 11, 2018 and May 8, 2017 for 2018 and 2017, respectively. Failure to adopt permanent appropriations timely could result in deficit spending.

The Township should adopt, and file with the County Auditor, temporary or permanent appropriations by the required deadline.

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2018-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

During 2018, we noted appropriations exceeded estimated resources in the General Fund and Fire Fund in the amounts of \$34,946 and \$6,818, respectively. During 2017, we noted appropriations exceeded estimated resources in the General Fund, Gasoline Tax Fund, and Fire Fund in the amounts of \$2,184, \$6,926 and \$1,957, respectively. Failure to limit appropriations to estimated resources could result in deficit fund balances.

The Township should ensure appropriations are limited to certified estimated resources when adopting appropriations.

FINDING NUMBER 2018-005

Noncompliance

Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. In addition, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Fiscal Officer did not approve multiple supplemental appropriation amendments ranging from \$2,200 to \$19,387 in the Township's Special Revenue Funds in 2018. Also, during 2018, expenditures exceeded appropriations in the Road and Bridge and Gasoline Tax Fund by \$14,506 and \$17,593, respectively.

Adjustments, with which management has agreed, were made to the approved appropriation amounts included in the notes to the financial statements. The failure to properly approve Township appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Board.

The Township should routinely compare actual expenditures to current appropriations and should keep actual expenditures below current appropriations and request supplemental appropriations from the Board when permissible and necessary.

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2018-006

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 receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post estimated resources 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.

FINDING NUMBER 2018-007

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.

**ADAMS TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2018-007 (Continued)

Material Weakness (Continued)

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 2018 and 2017 including adjustments necessary to report fund balances in accordance with GASB Statement No. 54.

For the fiscal year ending December 31, 2018, the following adjustments were noted:

- Local government receipts were improperly posted as Property and Other Local Taxes rather than Intergovernmental, in the amount of \$15,779, in the General Fund.
- Homestead and rollback receipts were posted entirely to the Road and Bridge Fund as Property and Other Local Taxes and Intergovernmental, in the amounts of \$2,922 and \$2,938, respectively, instead of Intergovernmental, in the amounts of \$1,919, \$2,842 and \$1,099, in the General, Road and Bridge and Fire Funds, respectively.
- A grant from Muskingum County was improperly posted as Property and Other Local Taxes in the Gasoline Tax fund rather than Intergovernmental in the General Fund in the amount of \$2,500.
- Excess IRP was improperly posted as Property and Other Local Taxes, in the amount of \$325 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 the Motor Vehicle License Tax Fund, in the amount of \$1,877.
- The fund balance of the Road and Bridge Fund, consisting of inside millage, was improperly classified as Restricted rather than Committed.
- Expenditures, totaling \$157,500, 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, 2017, the following adjustments were noted:

- Local government receipts were improperly posted as Property and Other Local Taxes rather than Intergovernmental, in the amount of \$15,389, in the General Fund.
- A grant from Muskingum County was improperly posted as Property and Other Local Taxes rather than Intergovernmental, in the amount of \$2,500, in the General Fund.
- The first half homestead and rollback receipt was posted entirely to the General Fund, in the amount of \$2,803, instead of Intergovernmental, in the amounts of \$925, \$1,373 and \$505, in the General, Road and Bridge and Fire Funds, respectively,
- The second half homestead and rollback receipt was posted entirely to the Road and Bridge Fund, in the amount of \$2,800, instead of Intergovernmental, in the amounts of \$917, \$1,358 and \$525, in the General, Road and Bridge and Fire Funds, respectively,
- Excess IRP was improperly posted as Property and Other Local Taxes, in the amount of \$320, in the General Fund instead of Intergovernmental in the Motor Vehicle License Tax Fund.
- Gasoline excise tax receipts, in the amount of \$4,623, were improperly posted as Property and Other Local Taxes, in the Road and Bridge Fund, instead of Intergovernmental in the Gasoline Tax Fund.

ADAMS TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-007 (Continued)

Material Weakness (Continued)

- The fund balance of the Road and Bridge Fund, consisting of inside millage, was improperly classified as Restricted rather than Committed.
- Expenditures, totaling \$111,585, of the Motor Vehicle License Tax, Gasoline Tax and Road 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 \$84 to \$1,547 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.

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.

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

ADAMS TOWNSHIP
ADAMSVILLE, OHIO 43802

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---------------|-------------------------------|
| 2016-001 | Ohio Revised Code 505.24 (C) – Trustee salaries did not agree to certifications. | Corrected | |
| 2016-002 | Ohio Code 117-2-02 (A) incorrectly posting activity to the Township's financials statements | Not Corrected | |
| 2016-003 | Ohio Code 117-2-02 (C – not posting estimated receipts to the Township receipts ledger | Not Corrected | |

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OHIO AUDITOR OF STATE KEITH FABER



ADAMS TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2020**