



Mary Taylor, CPA
Auditor of State

CONCORD TOWNSHIP
HIGHLAND COUNTY

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Mary Taylor, CPA

Auditor of State

Concord Township
Highland County
2195 State Route 136
Winchester, Ohio 45697

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.

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Mary Taylor, CPA
Auditor of State

November 5, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Concord Township
Highland County
2195 State Route 136
Winchester, Ohio 45697

To the Board of Trustees:

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

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

As described more fully in Note 1, during 2007 and 2006, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

November 5, 2008

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$28,289	\$22,378	\$50,667
Intergovernmental	18,432	110,946	129,378
Earnings on Investments	198	98	296
Miscellaneous	931		931
	<u>47,850</u>	<u>133,422</u>	<u>181,272</u>
Cash Disbursements:			
Current:			
General Government	37,800		37,800
Public Safety		7,197	7,197
Public Works		146,799	146,799
Health	5,485		5,485
Debt Service:			
Redemption of Principal		1,314	1,314
Interest and Fiscal Charges		1,086	1,086
	<u>43,285</u>	<u>156,396</u>	<u>199,681</u>
Total Receipts Over/(Under) Disbursements	4,565	(22,974)	(18,409)
Fund Cash Balances, January 1	<u>2,142</u>	<u>77,303</u>	<u>79,445</u>
Fund Cash Balances, December 31	<u>\$6,707</u>	<u>\$54,329</u>	<u>\$61,036</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$448</u>	<u>\$448</u>

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$26,055	\$20,991	\$47,046
Intergovernmental	16,520	113,990	130,510
Earnings on Investments	233	152	385
Miscellaneous	240		240
	<u>43,048</u>	<u>135,133</u>	<u>178,181</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	36,280		36,280
Public Safety		6,282	6,282
Public Works		97,919	97,919
Health	5,965		5,965
Debt Service:			
Redemption of Principal	595	339	934
Interest and Fiscal Charges	566	822	1,388
	<u>43,406</u>	<u>105,362</u>	<u>148,768</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	(358)	29,771	29,413
Fund Cash Balances, January 1	<u>2,500</u>	<u>47,532</u>	<u>50,032</u>
Fund Cash Balances, December 31	<u>\$2,142</u>	<u>\$77,303</u>	<u>\$79,445</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$4,353</u>	<u>\$4,353</u>

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Concord Township, Highland County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services road maintenance, and cemetery maintenance. The Township contracts with the Village of Mowrystown to provide fire services.

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

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

B. Accounting Basis

During 2005 and 2004, the Township followed the cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting applicable to cash accounting basis.

During 2007 and 2006, the Township continued to use the cash accounting basis, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. 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).

For 2007 and 2006, the fund financial statements now present a column for each fund type rather than presenting each major fund in a separate column with nonmajor funds aggregated and presented in a single column. Also, the Township does not present for 2007 and 2006 the statement of net assets and the statement of activities.

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

C. Cash and Deposits

The Township deposits all available funds in an interest earning checking account and a certificate of deposit at a local commercial bank.

D. Fund Accounting

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

Fire Levy Fund – This fund receives proceeds from the property tax levy for providing fire protection services to Township residents

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Cash

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

	2007	2006
Demand deposits	\$53,883	\$72,370
Certificates of deposit	7,153	7,075
Total deposits	\$61,036	\$79,445

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

3. Budgetary Activity

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,522	\$47,850	\$10,328
Special Revenue	123,305	133,422	10,117
Total	\$160,827	\$181,272	\$20,445

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,117	\$43,285	\$8,832
Special Revenue	186,479	156,844	29,635
Total	\$238,596	\$200,129	\$38,467

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,295	\$43,048	\$2,753
Special Revenue	122,506	135,133	12,627
Total	\$162,801	\$178,181	\$15,380

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,377	\$43,406	\$1,971
Special Revenue	138,566	109,715	28,851
Total	\$183,943	\$153,121	\$30,822

Contrary to Ohio law, estimated receipts exceeded actual receipts in some funds, the excess was appropriated, and a reduced amended certificate was not received and appropriations reduced. Contrary to Ohio law, appropriations exceeded the total certified as available for appropriations in some funds in 2007. Also contrary to Ohio law prior certification was not obtained for all expenditures.

4. Property Tax

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

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

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

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Road Grader Note	\$14,017	6.50%

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

5. Debt (Continued)

The Road Grader Note is an unsecured general obligation note issued in 2005 to finance the purchase of a used road grader for road maintenance.

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

Year ending December 31:	<u>Bank Note</u>
2008	\$2,322
2009	\$2,322
2010	\$2,322
2011	2,322
2012	2,322
2013-2014	<u>5,804</u>
Total	<u><u>\$17,414</u></u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, the OPERS member contributed 9.5% and 9%, respectively, of his gross salary and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of the participant's gross salary. The Township has paid all contributions required through December 31, 2007.

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

7. Risk Management (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed

\$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Townships can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above..

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

7. Risk Management (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$2,811. This payable includes the subsequent year' contribution due if the Township terminates participation, as described in the last paragraph below.

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>Township Contributions to OTARMA</u>	
2005	\$3,864
2006	3,483
2007	\$2,990

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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Mary Taylor, CPA

Auditor of State

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

Concord Township
Highland County
2195 State Route 136
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the financial statements of Concord Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated November 5, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 5, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-01 through 2007-03.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 5, 2008.

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



Mary Taylor, CPA
Auditor of State

November 5, 2008

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev Code, Section 5705.34, provides in part that each taxing authority shall pass an ordinance or resolution to authorize the necessary tax levies for the following year and certify them to the County Auditor before the first day of October in each year. The Township did not submit the Resolution Accepting the Tax Amounts and Rates during 2006 or 2007 to the County Auditor, nor were resolutions recorded in the Township minute records. Failure to submit the resolution could result in the loss of tax money. The Township should implement procedures to authorize the necessary tax levies by or before October 1 of each year.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, provides in part that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom as certified by the county budget commission, or in the case of appeal, by the board of tax appeals. Appropriations exceeded the total certified resources in 2007 in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, and the Road and Bridge Fund as follows:

Fund	Certified Resources	Appropriations	Variance
General	\$45,497	\$52,117	\$(6,620)
Motor Vehicle License Tax	23,705	25,232	(1,527)
Gasoline Tax	111,607	120,394	(8,787)
Road and Bridge	17,237	17,700	(463)

The Board of Trustees should check the latest amended certificate before making any appropriations to determine the total resources certified as available for appropriations. The Board of Trustees is the taxing authority of the Township, and since there is no authority for the Board to delegate the appropriation authority to the Fiscal Officer, only the appropriations made by Board resolution should be entered into the accounting system.

Ohio Rev. Code, Section 5705.39, also provides that 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 the total amounts certified by the budget commission. The Township did not file the annual appropriation resolutions for 2006 with the County Auditor. Therefore, the County Auditor could not issue the certificate. Failure to file the appropriation resolution is a budgetary control weakness that could result in spending more than is available. Township officials should file the annual appropriation resolution with the County Auditor each year.

FINDING NUMBER 2007-003

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every 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 the receipt of the "then and now" certificate to approve payment by 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.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates 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.
3. 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.

Contrary to the above requirement, the availability of funds was not certified for one of 20 (5%) transactions tested for 2006 and 12 of 20 (60%) in 2007. Of the purchase orders issued, the Fiscal Officer did not sign 34 of 40 (85%). Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. As a result of not properly using purchase orders, the Township had unrecorded reserves for encumbrances were found in the Special Revenue Funds in the amount of \$4,353 in 2006 and \$448 in 2007. The Township made the adjustments to include the outstanding encumbrances on the financial statements.

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

The Township used super blanket certificates for all transactions in 2006. In 2007 the Township used other types of purchase orders, but the Township used super blanket certificates for Other Expenses, and Other Purchased Services appropriation line items. As noted above, the Township should only use super blanket purchase orders for predictable recurring monthly expenses. "Other" expenditures are generally not of a predictable nature. The Township should use regular individual or blanket purchase orders should be used for these expenditures.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible "then and Now" certification should be used.

We recommend the Township personnel obtain the Fiscal Officer's certification of the availability of funds prior to incurring the commitment. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

FINDING NUMBER 2007-004

Material Weakness

Ohio Admin. Code, Section 117-2-01(D), states, in part, that when designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies; and
- Ensuring that accounting records are properly designed.

The Township did not properly post the following transactions to the proper account codes:

- The first half 2006 General Fund manufactured home tax of \$396 was reported as Miscellaneous receipts instead of Taxes receipts.
- The 2006 local government distributions of \$12,942 and 2007 local government distributions of \$12,960 were reported as Taxes instead of Intergovernmental receipts.
- The 2006 motor vehicle license tax of \$13,154 and 2007 motor vehicle license tax of \$12,952 was reported as Taxes instead of Intergovernmental receipts.
- The 2006 permissive motor vehicle license tax of \$5,076 and 2007 the permissive motor vehicle license tax of \$4,964, levied by Highland County, was reported as Taxes instead of Intergovernmental receipts.
- The 2006 10,000 personal property tax exemption of \$89 was reported as Taxes instead of Intergovernmental receipts.
- The 2nd HB 66 distribution of \$117 and the 3rd HB 66 distribution of \$117 in 2007 were reported as Taxes instead of Intergovernmental receipts.

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

- The payments to the electric and water companies for utilities used in the township buildings during 2006 in the amount of \$2,500 were reported as Public Works instead of General Government expenditures.
- The Trustees salaries, OPERS and Medicare paid from the Motor Vehicle License Tax Fund were reported as General Government instead of Public Works expenditures in 2006 in the amount of \$2,191 and in 2007 in the amount of \$2,787.
- The OPERS and Medicare paid from the Gasoline Tax Fund were reported as General Government instead of Public Works expenditures in 2006 in the amount of \$1,485 and in 2007 in the amount of \$4,060.
- A purchase of gravel in the amount of \$1,832 from the Motor Vehicle License Tax Fund was reported as Public Safety instead of Public Works expenditure in 2007.
- The Road and Bridge Fund portion of the auditor and treasurer's fees withheld from the tax settlements by the County Auditor were reported as General Government instead of Public Works expenditures in 2006 in the amount of \$279 and in 2007 in the amount of \$316.
- The Fire Levy Fund portion of the auditor and treasurer's fees withheld from the tax settlements by the County Auditor were reported as General Government instead of Public Works expenditures in 2007 in the amount of \$306.
- The health department inside tax mills withheld from the tax settlements by the County Auditor was reported as General Government instead of Health expenditures in 2006 in the amount of \$3,844 and in 2007 in the amount of \$3,559.
- The debt principal and interest payments were reported as General Government expenditures instead of Debt Service Redemption of Principal and Interest in 2006 in the General Fund in the amount of \$1,161, and in the Motor Vehicle License Tax Fund in the amount of \$1,161, and in 2007 in the Motor Vehicle License Tax Fund in the amount of \$1,200 and in the Road and Bridge Fund in the amount of \$1,200.

Also, the Township did not post some receipts and expenditures to the proper funds as follows:

- The first and second half 2006 and 2007 real estate homestead and rollback receipts were not posted to the funds in the proper amounts as shown on the tax apportionment sheets. In 2006 \$86 was posted to the General Fund that was due to the Road and Bridge Fund and \$492 was posted to the General Fund that was due to the Fire Levy Fund. In 2007 \$86 was posted to the General Fund that was due to the Road and Bridge Fund and \$145 was posted to the General Fund that was due to the Fire Levy Fund.
- The 2nd half 2007 manufactured home taxes were not posted to the funds in the proper amounts as shown on the tax apportionment sheet. The apportionment sheet showed \$238 due to the General Fund but only \$135 was posted, \$95 was due to the Road and Bridge Fund but \$0 was posted, \$120 was due to the Fire Levy Fund but \$99 was posted, and \$0 was due to the Permissive Motor Vehicle License Tax Fund but \$135 was posted. The settlement was posted at net of deductions made by the County Auditor, so the variance of \$84 was not posted to any fund.

FINDING NUMBER 2007-004
(Continued)

- The 2nd half 2007 public utilities reimbursement was not posted to the funds in the proper amounts as shown on the distribution sheet prepared by the County Auditor. \$59 due to the Road and Bridge Fund was posted to the General Fund and \$32 due to the Road and Bridge Fund was posted Fire Levy Fund.
- An employee was paid \$1,485 from the Gasoline Tax Fund and \$1,188 from the Road and Bridge Fund for cemetery mowing in 2006. The employee was also paid for cemetery mowing in 2007 from the Gasoline Tax Fund in the amount of \$1,689 and from the Road and Bridge Fund in the amount of \$236. Since the Township does not have a cemetery fund the mowing should have been paid from the General Fund.

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The Township made reclassifications and adjustments on the financial statements to correct the significant items. We recommend that the Fiscal Officer review the chart of accounts in the *Ohio Township Handbook* to assure that items are being posted to the proper funds and account codes.

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**CONCORD TOWNSHIP
HIGHLAND COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Section 5705.41(D) prior certification not obtained for purchases	No	Not Corrected Reissued as finding #2007-003
2005-002	Section 5705.34 Resolution Accepting Tax Amounts and Rates not made	No	Not Corrected Reissued as finding #2007-001
2005-003	Section 5705.41(B) Expenditures exceeded appropriations	Yes	Corrected



Mary Taylor, CPA
Auditor of State

CONCORD TOWNSHIP

HIGHLAND 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
DECEMBER 2, 2008**