



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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CONCORD TOWNSHIP
HIGHLAND COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Concord Township
2281 State Route 136
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of Concord Township, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Concord Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 3, 2014

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Concord Township
Highland County
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Independent Auditor's Report

Concord Township
Highland County
2281 State Route 136
Hillsboro, Ohio 45133

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Concord Township, Highland County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 Section 117.38 and Ohio Administrative Code Section 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 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 opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using 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), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Concord Township, Highland County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2014, 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
May 20, 2014

**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, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 33,295	\$ 13,320	\$ 46,615
Intergovernmental	16,747	110,272	127,019
Earnings on Investments	48	0	48
Miscellaneous	2,382	0	2,382
Total Cash Receipts	<u>52,472</u>	<u>123,592</u>	<u>176,064</u>
Cash Disbursements:			
Current:			
General Government	50,143	2,362	52,505
Public Works	160	118,626	118,786
Health	2,357	0	2,357
Debt Service:			
Redemption of Principal	18,101	0	18,101
Interest and Fiscal Charges	1,572	0	1,572
Total Cash Disbursements	<u>72,333</u>	<u>120,988</u>	<u>193,321</u>
Net Change in Fund Cash Balances	(19,861)	2,604	(17,257)
Fund Cash Balances, January 1	<u>55,559</u>	<u>41,195</u>	<u>96,754</u>
Fund Cash Balances, December 31			
Restricted	-	43,799	43,799
Unassigned (Deficit)	<u>35,698</u>	<u>-</u>	<u>35,698</u>
Fund Cash Balances, December 31	<u>\$ 35,698</u>	<u>\$ 43,799</u>	<u>\$ 79,497</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, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 31,943	\$ 12,778	\$ 44,721
Intergovernmental	101,753	106,509	208,262
Miscellaneous	7,120	0	7,120
Total Cash Receipts	<u>140,816</u>	<u>119,287</u>	<u>260,103</u>
Cash Disbursements:			
Current:			
General Government	101,293	1,520	102,813
Public Safety	914	175	1,089
Public Works	-	150,831	150,831
Health	2,767	0	2,767
Debt Service:			
Redemption of Principal	18,911	943	19,854
Interest and Fiscal Charges	2,126	133	2,259
Total Cash Disbursements	<u>126,011</u>	<u>153,602</u>	<u>279,613</u>
Net Change in Fund Cash Balances	14,805	(34,315)	(19,510)
Fund Cash Balances, January 1	<u>40,754</u>	<u>75,510</u>	<u>116,264</u>
Fund Cash Balances, December 31			
Restricted	-	41,195	41,195
Unassigned (Deficit)	<u>55,559</u>	<u>-</u>	<u>55,559</u>
Fund Cash Balances, December 31	<u>\$ 55,559</u>	<u>\$ 41,195</u>	<u>\$ 96,754</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, 2013 AND 2012**

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 (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 and road and cemetery maintenance.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Deposits

The Township deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued at cost.

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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing township roads.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. Restricted

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Cash

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$79,497	\$96,754

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2013 and 2012 as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,376	\$ 52,472	\$ 9,096
Special Revenue	142,161	123,592	(18,569)
Total	\$ 185,537	\$ 176,064	\$ (9,473)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 100,230	\$ 72,333	\$ 27,897
Special Revenue	179,888	120,988	58,900
Total	\$ 280,118	\$ 193,321	\$ 86,797

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 136,198	\$ 140,816	\$ 4,618
Special Revenue	146,855	119,287	(27,568)
Total	\$ 283,053	\$ 260,103	\$ (22,950)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 127,539	\$ 126,011	\$ 1,528
Special Revenue	211,979	153,602	58,377
Total	\$ 339,518	\$ 279,613	\$ 59,905

Contrary to Ohio Revised Code Section 5705.39, for 2012, the Township failed to file the appropriations with the county auditor and obtain a certification that the total appropriations from each fund did not exceed the total official estimate or amended official estimate.

Contrary to Ohio Revised Code Section 5705.41D, the Township did not certify the availability of funds prior to making commitments.

Contrary to Ohio Revised Code Section 5705.36, the Township's appropriations exceeded actual receipts for 2013 and 2012 in the Motor Vehicle License Tax Fund, Gasoline Tax Fund and Permissive Motor Vehicle Fund and for 2012 the Fire Fund.

Contrary to Ohio Revised Code Section 5705.38(A), the Township failed to maintain documentation of the passage of the annual appropriations for 2012.

Contrary to Ohio Revised Code Section 733.28 and Ohio Administrative Code Section 117-2-02(A), the Township did not maintain all documents for fiscal years 2012 and 2013.

4. Property Tax

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Tractor & Loader Note	\$ 11,805	3.25%
Road Repair Note	35,020	2.875%
	\$ 46,825	

In 2011, the Township purchased a backhoe through a third-party financing company to be used for maintenance of Township roads and cemeteries. The Township also obtained a \$60,000 loan for road repair.

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

	\$60,000 Road Repair Note		\$32,000 Tractor/ Loader Note
December 31:	Total	December 31:	Total
2014	\$ 12,911	2014	8,551
2015	12,911	2015	3,544
2016	10,682	Total	\$ 12,095
Total	\$ 36,504		

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

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.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (continued)

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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$ 34,771,270	\$ 35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$ 25,416,188</u>	<u>\$ 25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$1,900.

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.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (continued)

<u>Township Contributions to OTARMA</u>	
2012	\$ 3,248
2011	3,093

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the fund types are presented below for December 31, 2013:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Restricted for			
Road and Bridge Maintenance	-	43,799	43,799
Total Restricted	-	43,799	43,799
Unassigned (Deficit)			
	35,698	-	35,698
Total Fund Balances	\$ 35,698	\$ 43,799	\$ 79,497

The constraints placed on the fund balance for the fund types are presented below for December 31, 2012:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Restricted for			
Road and Bridge Maintenance	-	41,195	41,195
Total Restricted	-	41,195	41,195
Unassigned (Deficit)			
	55,559	-	55,559
Total Fund Balances	\$ 55,559	\$ 41,195	\$ 96,754



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Concord Township
Highland County
2281 State Route 136
Hillsboro, Ohio 45133

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 Concord Township, Highland County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 20, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2013-001 through 2013-007 described in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-008 described in the accompanying schedule of findings and responses to be a significant deficiency.

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 and responses as items 2013-002 through 2013-006.

Entity's Response to Findings

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

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 communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
May 20, 2014

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-001

Material Weakness- *Financial Reporting*

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

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax Receipts
- Intergovernmental Receipts
- Miscellaneous Receipts
- Principal and Interest Payments
- General Government Disbursements
- Health Disbursements

All of the above noted adjustments have been posted to the financial statements and to the Township's accounting system.

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

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2013-002

Material Weakness/Non-Compliance

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

For 2012, the District failed to file the appropriations with the county auditor and obtain a certification that the total appropriations from each fund did not exceed the total official estimate or amended official estimate.

The Township should implement monitoring procedures to ensure compliance with 5705.39. Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

Client Response:

This has been corrected for 2013.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-003

Material Weakness/ Non-Compliance

Ohio Revised Code section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

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 Section 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 or ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

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.

The Township's Fiscal Officer did not certify the availability of funds prior to making commitments during 2013 and 2012. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township's Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Client Response:

The Client did not provide a response for the above finding.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-004

Material Weakness/Non-compliance

Ohio Rev. Code Section 5705.36, appropriations limited by actual resources; certification of available revenue. On or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Township's appropriations exceeded the actual receipts for 2013 in the MVLT fund by \$2,946, the Gasoline Tax Fund by \$13,738, and the Permissive MVL Fund by \$1,521 and for 2012 in the MVLT fund by \$3,340, the Gasoline Tax Fund by \$11,025, the Fire District Fund by \$914, and the Permissive MVL Fund by \$1,445.

For 2012, the Township did not certify to the County Auditor the total amount from all sources available for expenditures from each fund.

The fiscal officer should request reduced amended certificates when it is apparent that the level of resources collected will fall below the appropriations, and should amend appropriations as well. The township should also ensure that all required documents are filed with the county auditor each year.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2013-005

Material Weakness/Non-compliance

5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services."

The Township has no record of the board approved 2012 appropriation measure or when it was passed, except for what is recorded within the UAN system.

We recommend the Township ensure that the annual appropriation measure is passed and documented in the minutes, kept on file and filed with the county auditor each year.

Client Response:

This has been corrected for 2013.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-006

Material Weakness/Non-compliance

Ohio Revised Code Section 733.28 provides that the Township clerk shall keep the books of the Township, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Administrative Code Section 117-2-02(A) states that all public offices are required to identify, assemble, analyze, classify, record and report its transaction, maintain accountability for the related assets and liabilities, document compliance with finance related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the administrative code.

Supporting documentation/invoice could not be located for one check during the audit until requested by the audit team. Furthermore, the Township did not have copies of required budgetary documents in the Township's records. Copies of required documents had to be obtained from the County Auditor's office for 2013 and no records were filed with their office for 2012. Meeting minutes for 3 months in 2012 could not be located.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position.

We recommend the Township ensure that proper documentation is maintained for all expenditures. The Township should implement procedures to ensure that accounting records of the Township are accurate and complete.

Client Response:

The Client did not provide a response for the above finding.

FINDING NUMBER 2013-007

Material Weakness, Manual Checks/Improper Signatures/Incorrect Check Numbers

It is important that the Township's accounting system contain accurate information regarding checks written to ensure that expenditures recorded are accurate and complete. The check numbers and payees documented in the system should agree to those on the check. Furthermore, it is important for internal controls to be established for the processing of checks and signing/approving of checks issued.

Instances were noted during the audit period in which the check numbers documented in the UAN system did not agree to the check numbers on the cancelled checks. It was further noted that there were multiple instances of the use of manual checks and/or checks that did not contain all required signatures.

These errors occurred due to the use of manual checks and the use of pre-numbered checks not being printed to correspond with the warrant numbers in the UAN system.

The Township should develop and implement procedures to ensure that information entered into the accounting is accurate and complete. The Township should also ensure that the use of manual checks be limited to emergency situations only and proper documentation be kept on file for why the use of manual checks was necessary. Furthermore, the Township should establish and implement internal controls related to the signing of all checks.

Client Response:

The Client did not provide a response for the above finding.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-008

Significant Deficiency- Segregation of Duties

Proper internal control procedures require that various duties be segregated among different employees. The duties of collecting, recording, disposing, reconciling, and disbursing of monies should be separated. Segregation of duties helps prevent and detect errors made and helps to correct errors in a timely fashion.

There is insufficient segregation of duties in the offices of the Concord Township, Highland County. Specifically, we noted that the same employee posts accounting entries, prepares checks, reconciles bank accounts, prepares and makes deposits, and opens the mail for the Township.

The Township has a limited number of employees, making it impossible to achieve a proper segregation of duties.

Without proper segregation of duties, the possibility of discrepancies occurring without being detected, or improper use of funds, is greatly increased.

Since there are a limited number of employees, there appears to be a limitation on what steps could be taken to properly segregate duties. The Trustees should take special care to review financial documents for possible discrepancies. We recommend that the Trustees review and sign all monthly financial reports.

Client Response:

The Client did not provide a response for the above finding.

**CONCORD TOWNSHIP
HIGHLAND COUNTY
DECEMBER 31, 2013 AND 2012**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Weakness for adjustments to the financial statements	No	Reissued as 2013-001
2011-002	Material Weakness/Noncompliance ORC Section 5705.39 Appropriations in excess of estimated resources	No	Reissued as 2013-002
2011-003	ORC Section 5705.41(D) Certification of available resources and appropriation of funding prior to expending money	No	Reissued as 2013-003
2011-004	Material Weakness and questioned cost for improper payment to fire district	Yes	
2011-005	Significant Deficiency- controls over reconciling process	Yes	



Dave Yost • 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 16, 2014**