



**Auditor of State
Betty Montgomery**

CONCORD TOWNSHIP
HIGHLAND COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Concord Township
Highland County
1350 Redkey Road
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, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in note 7, the Township is experiencing significant financial difficulties.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 29, 2004

**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, 2003**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Local Taxes	\$ 31,559	\$ 9,017	\$ -	\$ 40,576
Intergovernmental	17,278	74,435	213,600	305,313
Earnings on Investments	129	55		184
Other Revenue	13,820	104		13,924
 Total Cash Receipts	 62,786	 83,611	 213,600	 359,997
 Cash Disbursements:				
Current:				
General Government	47,013			47,013
Public Safety	234	6,000		6,234
Public Works	6,651	87,171		93,822
Health	4,838			4,838
Capital Outlay	1,190		213,600	214,790
 Total Cash Disbursements:	 59,926	 93,171	 213,600	 366,697
 Total Receipts Over/(Under) Disbursement:	 2,860	 (9,560)	 -	 (6,700)
 Fund Cash Balances, January	 (2,087)	 29,465	 	 27,378
 Fund Cash Balances, December 31	 \$ 773	 \$ 19,905	 \$ -	 \$ 20,678
 Reserve for Encumbrances, December 31	 \$ -	 \$ 30,071	 \$ -	 \$ 30,071

**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, 2002**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$ 20,810	\$ 16,870	\$ 37,680
Intergovernmental	15,720	69,826	85,546
Earnings on Investments	213	94	307
Other Revenue	2,310	302	2,612
 Total Cash Receipts	 39,053	 87,092	 126,145
Cash Disbursements:			
Current:			
General Government	27,657		27,657
Public Safety	234	7,328	7,562
Public Works	9,138	75,598	84,736
Health	4,551		4,551
 Total Cash Disbursements	 41,580	 82,926	 124,506
 Total Receipts Over/(Under) Disbursements	 (2,527)	 4,166	 1,639
 Fund Cash Balances, January 1	 440	 25,299	 25,739
 Fund Cash Balances, December 31	 \$ (2,087)	 \$ 29,465	 \$ 27,378
 Reserve for Encumbrances, December 31	 \$ -	 \$ 44,000	 \$ 44,000

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Concord Township, Highland County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Village of Mowrystown to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Township invests all available funds in a NOW checking account and a certificate of deposit with a local commercial bank. The certificate of deposit is 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money to pay for constructing, maintaining and repairing Township roads.

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

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

Fire Levy Fund - This fund receives property tax money for providing fire protection for Township residents.

Permissive Motor Vehicle License Tax Fund - This fund receives proceeds from the tax levied by Highland County on all motor vehicle license sold in the Township for road maintenance and repairs.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects, specifically the Ohio Public Works Commission grant for the Swamp Road Project.

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. The Township did not encumber purchase commitments as required by Ohio law. At December 31, 2003 the Township had \$28,000 in purchase commitments outstanding from the year 2001 and \$2,071 in purchase commitments outstanding from the year 2003 that had not been encumbered. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2003	2002
Demand deposits	\$13,893	\$20,660
Certificates of deposit	6,785	6,718
Total deposits	\$20,678	\$27,378

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,776	\$62,786	(\$990)
Special Revenue	118,339	83,611	(34,728)
Capital Projects	0	213,600	213,600
Total	\$182,115	\$359,997	\$177,882

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,000	\$59,926	(\$17,926)
Special Revenue	84,012	123,242	(39,230)
Capital Projects	0	213,600	(213,600)
Total	\$126,012	\$396,768	(\$270,756)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,670	\$39,053	(\$29,617)
Special Revenue	103,060	87,092	(15,968)
Total	\$171,730	\$126,145	(\$45,585)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,720	\$41,580	\$31,140
Special Revenue	187,139	126,926	60,213
Total	\$259,859	\$168,506	\$91,353

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary appropriations exceeded the total amount certified as available for appropriation by the County Budget Commission in the Gasoline Tax Fund by \$34,264 for the year ended December 31, 2002.

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Road and Bridge Fund by \$1,592 for the year ended December 31, 2002 and in the General Fund by \$17,925, the Gasoline Tax Fund by \$33,145, the Road and Bridge Fund by \$553, the Fire Levy Fund by \$6,000, the Permissive Motor Vehicle License Tax Fund by \$302, and the OPWC Fund by \$213,600 for the year ended December 31, 2003.

Also contrary to Ohio law, at December 31, 2003, the Township had at least \$30,071 purchase commitments which had not been certified in the Gasoline Tax Fund and the Permissive Motor Vehicle License Tax Fund. These unrecorded encumbrances are included in the 2003 Special Revenue Budgetary Expenditures shown above.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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. RETIREMENT SYSTEMS

The Township's elected officials and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omission

7. FINANCIAL DIFFICULTIES AND UNPAID PURCHASE COMMITMENTS

During 2001, the Township contracted for road work but did not have money available to pay the bill. The Township has been paying on this bill as funds are available. At December 31, 2003 a balance of \$28,000 is still owed. The following are the December 31, 2003 balances of the funds that are legally permitted to pay for the road work obligations:

General Fund	\$773
Motor Vehicle License Tax Fund	1,830
Gasoline Tax Fund	702
Road and Bridge Fund	2,220
Permissive Motor Vehicle License Tax Fund	<u>148</u>
Total	<u>\$5,673</u>

As shown above, the Township lacked \$22,327 in available funds at December 31, 2003 to pay off the obligations for the road work performed in 2001.

8. SUBSEQUENT EVENTS

On April 14, 2004 the Township paid \$10,000 on the unpaid purchase commitment from 2001 discussed in Note 7 above, leaving an unpaid balance of \$18,000.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Concord Township
Highland County
1350 Redkey Road
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, 2003 and 2002, and have issued our report thereon dated September 29, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-010. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-002 and 2003-010 through 2003-014.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Out consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above as items 2003-012 and 2003-014 are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated September 29, 2004.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 29, 2004

**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code, 117.38, requires each public office to file an annual financial report made in accordance with forms prescribed by the Auditor of State within sixty days after the close of the fiscal year. The Township did not file the reports within the required sixty days. The 2003 annual financial report was filed March 9, 2004 and the 2002 report was recorded as filed December 10, 2003. The Clerk stated that she filed the 2002 report was filed on time, but could provide no evidence of filing her annual report timely. The Auditor of State notified her that they had not received the report, so she sent them her copy in December. She did not maintain a copy of the report for the Township records.

The annual financial report form for 2003 was not properly completed. The Special Revenue column and Total column of the Combined Statement was not completed. The Variance column of the Comparison of Budgeted and Actual Receipts was not completed, and some of the estimated receipts reported were estimated resources instead of estimated receipts. None of the Comparison of Disbursements and Encumbrances With Expenditure Authority was completed. The balance from 2001 owed to a vendor was not disclosed on the Debt Schedules.

The statements and columns of the report that are applicable to the Township should be completed and filed within sixty days after the close of the fiscal year. The Township should maintain proof of mailing of the report by the required date.

FINDING NUMBER 2003-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Sections 121.22, 149.43 and 507.04, when read together, impose duty on boards of trustees to maintain full and accurate record of their proceedings. Minute records lacked important information as follows:

1. Annual appropriation resolutions for 2002 and 2003 did not include the dollar amounts
2. Amended certificates were not approved
3. Resolution accepting tax amounts and rates for the year 2003, filed with the County Auditor on March 18, 2003 was not recorded in the minutes
4. Approval and acceptance of the \$213,600 grant from Ohio Public Works Commission
5. Mention that the 0.1 mill fire protection replacement levy run in 2002 passed
6. Mention that the Board of Education accepted the Township's offer to purchase the old Concord School building in Sugar Tree Ridge
7. Approval and terms of the lease agreements entered into on September 1, 2002 with Sunflower Tanning, on December 2, 2002 with Catering With Perfection, and on December 2, 2002 with Accent Photography
8. Setting of the rates for gym rentals

**FINDING NUMBER 2003-002
(Continued)**

9. Amount and terms of the contract entered into with the Monteith Company to do work on Swamp Road
10. Bid amount accepted from Brown County Asphalt for the Swamp Road project

We also noted a weakness in the procedure used in recording the official Board minutes. Minutes were hand written in the official minute record in pencil. The minutes are the official record of the Board of Trustee actions and should be recorded in permanent ink or typed. Failure to include all pertinent information concerning Board actions increases the risk that the actions could be misinterpreted or not followed. Failure to record the official records in permanent ink increases the risk that the record could be changed or deleted.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.09, requires a special fund to be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. The Township did not establish a Capital Projects Fund to account for the \$213,600 revenues and expenditures to the extent they received benefit from the Ohio Public Works Commission Grant for the Swamp Road Project. Grant financial activity was not reported on the Township records or reported on the 2003 annual financial report. Adjustments were made to include the activity on the accompanying financial statements. The Clerk should follow the procedures outlined in Auditor of State Bulletin 2002-004 for this type of grant.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.10, provides that revenue from a special source other than general property taxes shall be credited to a special fund established for that purpose. Homestead and rollback distributions of \$975 due to the Road and Bridge Fund and \$980 due to the Fire Levy Fund, and the International Registration Plan (Excess IRP) distribution of \$384 due to the Motor Vehicle License Tax Fund were credited to the General Fund during 2002. Homestead and rollback distribution of \$1,031 due to the Road and Bridge Fund, and the Excess IRP distribution of \$470 were credited to the General Fund during 2003. The Clerk made fund balance adjustments to correct these improper posting, and these receipts are correctly reported on the accompanying financial statements.

FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Rev. Code, Section 5705.34, provides that each taxing authority shall 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 resolution for 2003 was required to be made by October 1, 2002, but minute records did not record that the resolution was made. However the form was filed with the County Auditor on March 18, 2003. We did not find any evidence that the resolution for 2004 was made by the required date of October 1, 2003, or at any time subsequent.

FINDING NUMBER 2003-006

Noncompliance Citation

Ohio Rev. Code, Section 5705.36, requires that a reduced amended certificate be obtained if actual receipts for the year are less than estimated receipts and the amount of the deficiency will reduce available resources below the appropriations. For the year 2002 estimated receipts exceeded actual receipts in the General, Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Tax Funds and the excess was appropriated as available for expenditures. A reduced amended certificate should have been obtained when it is noted that actual receipts will not reach the estimates, and the appropriations reduced.

Ohio Rev. Code, Section 5705.36, also allows subdivisions to request increased amended certificates when the fiscal officer determines that revenue to be collected will be greater than the amount in the official certificate of estimated resources. In 2003, an amended certificate was not obtained for the Ohio Public Works Commission Grant.

Also, amended certificates were obtained in 2003 to increase the estimated receipts in the Gasoline Tax Fund by \$41,263 which resulted in the estimated receipts exceeding the actual receipts by \$37,060. Increased amended certificates should only be obtained when new or unexpected funds are received.

FINDING NUMBER 2003-007

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures as certified by the budget commission. For the year 2002, appropriations exceeded total certified resources in the Gasoline Tax Fund by \$34,264.

FINDING NUMBER 2003-008

Noncompliance Citation

Ohio Rev. Code, Section 5705.40, provides that the appropriation measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making the original appropriation. Additional appropriations and appropriation transfers within funds were posted to the accounting records that had not been made by Board resolution as required. Also, some appropriation transfers made by Board Resolution were not posted to the ledger. The Clerk has no authority to post any appropriations or appropriation changes unless they are made by Board Resolution.

FINDING NUMBER 2003-009

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (B), provides that no subdivision shall expend money unless it has been appropriated. Disbursements exceeded appropriations as follows for 2002.

Fund	Appropriation	Disbursement	Variance
Road and Bridge Fund	\$8,700	\$10,292	\$1,592

Disbursements exceeded appropriations as follows for 2003. The Township failed to make any appropriations for the Ohio Public Works Commission Grant received and expended in 2003.

Fund	Appropriation	Disbursement	Variance
General Fund	\$42,000	\$59,925	\$17,925
Gasoline Tax Fund	56,937	90,082	33,145
Road and Bridge Fund	9,075	9,628	553
Fire Levy Fund	0	6,000	6,000
OPWC Fund	0	213,600	213,600

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-010

Noncompliance Citation/Reportable Condition

Ohio Rev. Code 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement 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 encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 (\$3,000 effective 4/7/03) may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The Township did not obtain the fiscal officer's certificate for any expenditure during 2002 or 2003.

**FINDING NUMBER 2003-010
(Continued)**

The Clerk's certification is not only required by Ohio law, but is also a key control in the disbursements process. Failure to obtain proper certification of funds resulted in disbursements being made without adequate current resources being available. Prior certification should be obtained for all disbursements. In instances when prior certification are not practical, "then and now certification should be made. At December 31, 2003, the Township had entered into purchase commitments for at least \$30,000 and the goods or services had been received, but the Township did not have adequate current resources to pay for these purchase commitments.

FINDING NUMBER 2003-011

Reportable Condition

Some vouchers tested did not have itemized vendor invoices attached to the voucher as documentation for the expenditure of public funds. We were able to verify these expenditures through additional auditing procedures. Failure to attach the original itemized bill to the voucher increases the risk that improper expenditures could be made. This procedure likely contributed to the double payment of a bill in the prior audit period, but has not been corrected. Documentation for the expenditure of public funds in the form of an itemized bill should be attached to every voucher, reviewed, and approved by the Board prior to payment.

FINDING NUMBER 2003-012

Material Weakness

The Township Officials have not properly followed Ohio laws as reflected in this audit and the past several audits. These noncompliance problems appear to be caused by a lack of knowledge and training of officials. Failure to properly follow the laws as required creates an environment which promotes possible fraud or misappropriation of assets and resulted in unnecessary charges that could have been avoided. Failure to follow the budgetary law caused the Township to commit to pay over \$22,000 in vendor invoices the Township could not timely pay.

We strongly recommend that the Trustees and Clerk attend training on the proper procedures to follow in recording Township records and in conducting Township business. In addition, the Trustees and Clerk should read and study the Ohio Revised Code, Ohio Administrative Code, and Ohio Township Manual to learn the laws required to be followed to more effectively manage the Township.

FINDING NUMBER 2003-013

Reportable Condition

During the audit period, the Township paid at least \$1,333 in fines, penalties, and late fees to Ohio Job and Family Services, PERS, and utility companies. Failure to file reports and pay bills on a timely basis diverts the public funds from necessary Township services. Additionally, due to the low fund balances of the Township they should avoid penalties and fines to preserve available funds. The officials should assure that all reports are filed and bills paid on a timely basis.

FINDING NUMBER 2003-014

Material Weakness

During 2002, the Township purchased the old Concord Elementary School building in Sugar Tree Ridge from the Bright Local Board of Education. This property includes the main school building and a smaller classroom building. The Township uses the smaller classroom building as their Township hall. The Township decided to use the main school building for rental property to house businesses in the classrooms and to rent out the gym for single day events.

Between September and December 2002, the Township officials signed lease agreements with three different tenants. The lease agreements were not approved by resolution and the terms were not disclosed in the minute records. One tenant's lease was for \$300 per month plus the electric bill. Two tenants' leases were for \$300 rent per month plus utilities. There is only one electric meter for main school building. What the utilities consist of and how the amount to be paid was to be calculated if the utility is shared with others was not defined in the lease agreement. Review of the monthly payments made by the tenants disclosed that one tenant paid \$300 per month rent plus an amount designated as gas bill, and another tenant paid \$300 per month rent and an amount designated as electric bill. Review of the gas and electric bills did not correspond with the payments made by the tenants. We were told that the Trustees agreed to accept an amount less than the actual amounts billed by the utility companies because they thought the meter may be reading incorrectly, but this agreement was not recorded in the minutes and the leases were not amended. A resolution was made in the minutes of July 2003 to allow one tenant to pay electric only during the summer months because business was slow, however, only electric and no rent was paid for the months of August through December.

The other tenant told us that they were permitted to move in September 2002. They were told that the rental terms would be worked out later when the business was up and running. In December 2002, the Township presented the lease agreement with terms of \$300 per month rent plus utilities. The tenant did not agree with the terms, but signed the lease. No rent payments were made and the tenant moved out.

The Trustees did not make a resolution to set the gym use rules and rental rates and did not state if any organization would be exempt from paying rent. Users completed and signed a policy and responsibility contract which included the date the gym was needed, however, the contract did not include the rental amount paid. Rents were collected by a Trustee and turned over to the Clerk. The Trustee did not write duplicate receipts for the money collected. Review of the contracts did not correspond with the payments posted in the accounting records. It appeared that some users were not required to make payment, but without set rental rates we were unable to determine the proper amount to be collected and recorded.

The Township should review their lease agreements to ascertain that they are clear as to the amount tenants should pay. The lease agreements should define what the utilities consist of and how they are to be calculated if the utility is being shared by others. If any changes are agreed to be made to the lease agreements, a Board resolution should be recorded in the minute records and an amendment to the lease agreement signed and attached. The Clerk should prepare a monthly billing for each tenant showing how the billing amount is calculated. Records of the monthly calculations, billing statements, and copies of the supporting utilities bills should be maintained in a file for the Township records.

Gym rental rate and terms should be set by Board resolution recorded in the minute records. The Trustee handling the gym rentals should write duplicate receipts to the renter for the money collected. When the money is turned over to the Clerk, the Clerk should write a receipt to the Trustee. Also, the Trustee should maintain a book or calendar to records the dates/hours the gym has been rented and to whom it is rented to avoid scheduling conflicts and as an additional accounting record. The policy and responsibility contract should be revised to include the rental rates and amount paid.

**FINDING NUMBER 2003-014
(Continued)**

The Township should keep a separate record of the income and expenses related to maintaining the school building. Since the Township has no additional funds to support the school building, they should evaluate the records and determine if the amounts charged for rentals is sufficient to cover expenses. If they are not, it may be necessary for the Trustees to reevaluate their policies concerning the building.

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**CONCORD TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40436-001	Ohio Revised Code, Section 121.22 – Minutes lacked information	No	Not Corrected - Reissued as 2003-002
2001-40436-002	Ohio Revised Code, Section 5705.10 - Revenue not credited to the proper fund	No	Not Corrected – Reissued as 2003-004
2001-40436-003	Ohio Revised Code, Section 5705.34 – Resolution accepting tax amounts and rates	No	Not Corrected – Reissued as 2003-005
2001-40436-004	Ohio Revised Code, Section 5705.36 – Amended certificates	No	Not Corrected – Reissued as 2003-006
2001-40436-005	Ohio Revised Code, Section 5705.39 - Appropriations exceeding estimated resources	No	Not Corrected – Reissued as 2003-007
2001-40436-006	Ohio Revised Code, Section 5705.40 - Appropriation amendments	No	Not Corrected – Reissued as 2003-008
2001-40436-007	Ohio Revised Code, Section 5705.41 (D) - Prior certificate for expenditures	No	Not Corrected – Reissued as 2003-0010
2001-40436-008	Ohio Admin. Code, 117-2-03 - Annual financial report	No	Not Corrected - Reissued as 2003-001
2001-40436-009	Ohio Admin. Code, 117-7-01 - Posting to proper line-item accounts	Partially	Partially corrected - Recommendation made in Management Letter
2001-40436-010	Recommendation for training because of numerous audit findings over past years	No	Not Corrected - Reissued as 2003-012



**Auditor of State
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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
NOVEMBER 4, 2004**