



Dave Yost • Auditor of State

**CONCORD TOWNSHIP
ROSS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types for the Year Ended December 31, 2016	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Type – Private Purpose Trust for the Year Ended December 31, 2016	4
Notes to the Financial Statements for Year Ended December 31, 2016.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types for the Year Ended December 31, 2015	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Type – Private Purpose Trust for the Year Ended December 31, 2015	14
Notes to the Financial Statements for the Year Ended December 31, 2015.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Concord Township
Ross County
985 Jamison Rd.
Frankfort, Ohio 45628

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Concord Township, Ross County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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 (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Concord Township, Ross County as of December 31, 2016 and 2015, 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 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the Township had negative cash balances in the General fund at December 31, 2016 and 2015 which resulted from audit adjustments posted to the financial statements. Note 11 describes management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2018

Concord Township

Ross County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$49,047	\$202,796	\$0	\$251,843
Charges for Services	0	32,656	0	32,656
Licenses, Permits and Fees	0	26,200	0	26,200
Intergovernmental	55,536	155,967	0	211,503
Earnings on Investments	113	31	0	144
Miscellaneous	6,891	13,292	0	20,183
<i>Total Cash Receipts</i>	<u>111,587</u>	<u>430,942</u>	<u>0</u>	<u>542,529</u>
Cash Disbursements				
Current:				
General Government	128,441	34,261	0	162,702
Public Safety	0	69,093	0	69,093
Public Works	0	155,687	0	155,687
Health	0	45,837	0	45,837
Capital Outlay	18,750	0	0	18,750
Debt Service:				
Principal Retirement	0	0	6,166	6,166
Interest and Fiscal Charges	0	0	639	639
<i>Total Cash Disbursements</i>	<u>147,191</u>	<u>304,878</u>	<u>6,805</u>	<u>458,874</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,604)</u>	<u>126,064</u>	<u>(6,805)</u>	<u>83,655</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	0	6,805	6,805
Transfers Out	0	(6,805)	0	(6,805)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(6,805)</u>	<u>6,805</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(35,604)</u>	<u>119,259</u>	<u>0</u>	<u>83,655</u>
<i>Fund Cash Balances, January 1</i>	<u>(8,706)</u>	<u>459,906</u>	<u>324</u>	<u>451,524</u>
Fund Cash Balances, December 31				
Restricted	0	579,165	324	579,489
Unassigned (Deficit)	(44,310)	0	0	(44,310)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$44,310)</u></u>	<u><u>\$579,165</u></u>	<u><u>\$324</u></u>	<u><u>\$535,179</u></u>

See accompanying notes to the basic financial statements

Concord Township

Ross County, Ohio

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

Fiduciary Fund Type - Private Purpose Trust

For the Year Ended December 31, 2016



Operating Cash Receipts

Earnings on Investments (trust funds only) \$1

Total Operating Cash Receipts 1

Operating Income (Loss) 1

Net Change in Fund Cash Balances 1

Fund Cash Balances, January 1 3,587

Fund Cash Balances, December 31 \$3,588

See accompanying notes to the basic financial statements

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Concord Township, Ross County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, maintenance of Township roads and bridges, maintenance of cemeteries, fire protection and emergency medical services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund This fund receives real estate tax, tangible personal property tax and homestead and rollback tax money for constructing, maintaining and repairing Township roads and bridges.

Special Levy Fund This fund receives real estate tax, tangible personal property tax and homestead and rollback tax money to provide firefighting and emergency services to the Township.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Bond (Note) Retirement Fund This fund accounts for and reports resources restricted for the retirement of debt issued by the Township.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Township's private purpose trust fund is for the benefit of a certain individual.

Basis of Accounting

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

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

Budgetary Process

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

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

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Fund Balance

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

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

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

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

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

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

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

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$14,729 for the year ended December 31, 2016. Appropriation authority exceeded estimated resources in the General Fund by \$4,307 for the year ended December 31, 2016. Also contrary to Ohio law, at December 31, 2016, the General fund had a cash deficit balance of (\$44,310).

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,298	\$111,587	\$7,289
Special Revenue	360,809	430,942	70,133
Debt Service	6,805	6,805	0
Trust	2	1	(1)
Total	\$471,914	\$549,335	\$77,421

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,462	\$147,191	(\$14,729)
Special Revenue	686,838	311,683	375,155
Debt Service	6,805	6,805	0
Trust	0	0	0
Total	\$826,105	\$465,679	\$360,426

Note 5 – Deposits and Investments

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

	2016
Demand deposits	\$538,767

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Note 7 - Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, 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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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>2016 Contributions to OTARMA</u>
\$15,201

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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
John Deere Tractor Note	18,500	2.60%
Total	<u>\$18,500</u>	

The Township issued a note to finance the purchase of a John Deere tractor with front-end loader and a Woods mower to provide road maintenance services. The note is collateralized by the Township's taxing authority.

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Amortization

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

Year ending December 31:	<u>John Deere Tractor Note</u>
2017	\$6,487
2018	6,327
2019	<u>6,167</u>
Total	<u><u>\$18,981</u></u>

Note 11 – Deficit Fund Balances

As of December 31, 2016 the Township had a General Fund balance of (\$44,310) as a result of audit adjustments posted to the financial statements. Management plans to implement cost-cutting measures to increase the General Fund balance.

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Concord Township

Ross County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$48,457	\$198,652	\$0	\$247,109
Charges for Services	0	44,352	0	44,352
Licenses, Permits and Fees	0	20,600	0	20,600
Intergovernmental	42,847	221,306	0	264,153
Earnings on Investments	163	34	0	197
Miscellaneous	2,644	27,825	0	30,469
<i>Total Cash Receipts</i>	<u>94,111</u>	<u>512,769</u>	<u>0</u>	<u>606,880</u>
Cash Disbursements				
Current:				
General Government	113,203	41,577	0	154,780
Public Safety	0	105,324	0	105,324
Public Works	0	119,137	0	119,137
Health	0	50,474	0	50,474
Capital Outlay	0	53,224	0	53,224
Debt Service:				
Principal Retirement	0	0	10,675	10,675
Interest and Fiscal Charges	0	0	974	974
<i>Total Cash Disbursements</i>	<u>113,203</u>	<u>369,736</u>	<u>11,649</u>	<u>494,588</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,092)</u>	<u>143,033</u>	<u>(11,649)</u>	<u>112,292</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	0	400	0	400
Transfers In	0	0	11,809	11,809
Transfers Out	0	(11,809)	0	(11,809)
Other Financing Sources	0	1,393	0	1,393
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(10,016)</u>	<u>11,809</u>	<u>1,793</u>
<i>Net Change in Fund Cash Balances</i>	<u>(19,092)</u>	<u>133,017</u>	<u>160</u>	<u>114,085</u>
<i>Fund Cash Balances, January 1</i>	<u>10,386</u>	<u>326,889</u>	<u>164</u>	<u>337,439</u>
Fund Cash Balances, December 31				
Restricted	0	459,906	324	460,230
Unassigned (Deficit)	<u>(8,706)</u>	<u>0</u>	<u>0</u>	<u>(8,706)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$8,706)</u></u>	<u><u>\$459,906</u></u>	<u><u>\$324</u></u>	<u><u>\$451,524</u></u>

See accompanying notes to the basic financial statements

Concord Township

Ross County, Ohio

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

Fiduciary Fund Type - Private Purpose Trust

For the Year Ended December 31, 2015



Operating Cash Receipts

Earnings on Investments (trust funds only) \$2

Total Operating Cash Receipts 2

Operating Income (Loss) 2

Net Change in Fund Cash Balances 2

Fund Cash Balances, January 1 3,585

Fund Cash Balances, December 31 \$3,587

See accompanying notes to the basic financial statements

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

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Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2015

The Township's private purpose trust fund is for the benefit of a certain individual.

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

Budgetary Process

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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. Unencumbered appropriations lapse at year-end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, appropriation authority exceeded estimated resources in the General fund by \$24,227 for the year ended December 31, 2015. Also contrary to Ohio law, at December 31, 2015, the General fund had a cash deficit balance of (\$8,706).

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,343	\$94,111	\$14,768
Special Revenue	429,614	514,562	84,948
Debt Service	11,647	11,809	162
Trust	1	2	1
Total	\$520,605	\$620,484	\$99,879

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,391	\$113,203	\$3,188
Special Revenue	579,553	381,545	198,008
Debt Service	11,811	11,649	162
Trust	0	0	0
Total	\$707,755	\$506,397	\$201,358

Note 5 – Deposits and Investments

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

	2015
Demand deposits	\$455,111

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Note 7 - Risk Management

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, 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, 2015.

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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>2015 Contributions to OTARMA</u>
\$14,157

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.

Note 8 - Defined Benefit Pension Plans

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
John Deere Tractor Note	24,667	2.60%
Total	\$24,667	

The Township issued a note to finance the purchase of a John Deere tractor with front-end loader and a Woods mower to provide road maintenance services. The note is collateralized by the Township's taxing authority.

Concord Township
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Amortization

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

Year ending December 31:	<u>John Deere Tractor Note</u>
2016	\$6,648
2017	6,487
2018	6,327
2019	<u>6,167</u>
Total	<u><u>\$25,629</u></u>

Note 11 – Deficit Fund Balances

As of December 31, 2015 the Township had a General Fund balance of (\$8,706) as a result of audit adjustments posted to the financial statements. Management plans to implement cost-cutting measures to increase the General Fund balance.

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Dave Yost • Auditor of State

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

Concord Township
Ross County
985 Jamison Rd.
Frankfort, Ohio 45628

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Concord Township, Ross County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Wherein we also noted the Township reported deficit cash balances in the General Fund at December 31, 2016 and 2015.

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 we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 finding 2016-004 described in the accompanying schedule of findings to be a material weakness.

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 2016-005 described in the accompanying schedule of findings 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 as items 2016-001 through 2016-003.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 31, 2018

**CONCORD TOWNSHIP
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in the following fund at December 31, 2016:

Fund	Expenditures	Appropriations	Variance
General	\$123,421	\$108,692	(\$14,729)

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

The Township should routinely compare actual expenditures to current appropriations and amend appropriations when needed.

Official's Response:

My understanding with this is that a mapping problem occurred adding a fund to the general fund that showed expenditures to exceed appropriations. I will check UAN system so this does not map this way.

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources as certified by the budget commission.

The General Fund appropriations exceeded the estimated resources available for expenditure as certified by the budget commission:

Fund	Estimated Resources	Current Year Appropriations	Variance
1000-General (2015)	\$90,494	\$114,721	(\$24,227)
1000-General (2016)	\$128,155	\$132,462	(\$4,307)

Allowing appropriations to exceed amounts certified as available can result in overspending and deficit fund balances.

The Township should routinely compare appropriations to the estimated resources available for expenditures as certified by the budget commission for each fund to ensure compliance with the requirements of the Ohio Revised Code.

**FINDING NUMBER 2016-002
 (Continued)**

Official's Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2016-003

Noncompliance

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

The General fund balance was (\$8,706) at December 31, 2015 and (\$44,310) at December 31, 2016.

Failure to monitor budgetary activity can result in overspending and negative fund balances.

We recommend the Township monitor its available fund balance and budgetary activity monthly.

Official's Response:

Our minutes will reflect proper documentation on spending for each fund.

FINDING NUMBER 2016-004

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Township lacked controls to ensure that certain transactions were posted accurately. We identified the following posting errors:

2015					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Taxes	\$7,637	General Fund	Intergovernmental	\$7,637
Road & Bridge Fund	Taxes	\$12,169	Road & Bridge Fund	Intergovernmental	\$12,169
Special Levy Fund	Taxes	\$14,326	Special Levy Fund	Intergovernmental	\$14,326

**FINDING NUMBER 2016-004
 (Continued)**

The Township posted Homestead & Rollback receipts to Taxes and should have recorded the receipts as Intergovernmental.

Road & Bridge Fund	Public Works Expenditures	\$30,709	General Fund	General Government Expenditures	\$30,709
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The Township posted health insurance expenditures to the Road & Bridge fund. Employees who receive health insurance are all paid from the General fund so the health insurance expenditures should have been posted to the General fund.

2016

<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Taxes	\$7,576	General Fund	Intergovernmental	\$7,576
Road & Bridge Fund	Taxes	\$12,170	Road & Bridge Fund	Intergovernmental	\$12,170
Special Levy Fund	Taxes	\$14,210	Special Levy Fund	Intergovernmental	\$14,210

The Township posted Homestead & Rollback receipts to Taxes and should have recorded the receipts as Intergovernmental.

General Fund	Intergovernmental	\$3,195	General Fund	Miscellaneous	\$3,195
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The Township posted a Bureau of Worker's Compensation reimbursement receipt to Intergovernmental and should have recorded the receipt as Miscellaneous Revenue.

Road & Bridge Fund	Public Works Expenditures	\$29,875	General Fund	General Government Expenditures	\$29,875
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The Township posted health insurance expenditures to the Road & Bridge fund. Employees who receive health insurance are all paid from the General fund so the health insurance expenditures should have been posted to the General fund.

General Fund	Beginning Fund Balance	\$92,484	MBI Fund	Beginning Fund Balance	\$92,484
General Fund	Charges for Services	\$32,656	MBI Fund	Charges for Services	\$32,656
General Fund	Miscellaneous Revenue	\$1,093	MBI Fund	Miscellaneous Revenue	\$1,093
General Fund	Public Safety Expenditures	\$21,407	MBI Fund	Public Safety Expenditures	\$21,407

**FINDING NUMBER 2016-004
 (Continued)**

The Township collected fees for EMS Services from Medicount Management in 2016. The fees were deposited in the MBI special revenue fund as required by Ohio Rev. Code Section 505.84. However, on the Township's annual financial report the MBI fund was included with the General fund. Under Governmental Accounting Standards Board Statement No. 54 guidelines, the Township should have reported the MBI fund as a Special Revenue fund with a Restricted fund balance.

Failure to accurately post and report receipt and expenditure transactions could result in material errors in the Township's financial statements and reduces the ability of the Trustees to monitor financial activity and to make sound decisions which affect the overall, available cash position of the Township.

The Township has corrected the financial statements, and accounting records where appropriate, to address these posting errors.

We recommend that officials review the chart of accounts to assure that items are being posted to the proper account codes and funds.

Official's Response:

The proper account in each fund will be used when making deposits. Mapping of accounts has been checked.

FINDING NUMBER 2016-005

Significant Deficiency

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

During the audit period, the Township overstated general fund receipts and expenditures related to employee health insurance and cell phone reimbursements.

The Township uses the UAN system for payroll. During payroll processing amounts were withheld from employees for health insurance and cell phone reimbursements. The Township Clerk also posted a general fund general government memo expenditure and a general fund miscellaneous memo receipt for these withholdings. Additionally when the insurance and cell phone bills were paid, an additional expense was recorded in the general fund. As a result of this process, receipts and expenditures in the general fund were overstated by the amount of the employee withholdings for health insurance and cell phones as noted below:

2015 General Fund	Receipts Overstatement	Expenditures Overstatement
Health Insurance Withholdings	\$7,393	\$7,393
Cell Phones Withholdings	\$390	\$390

**FINDING NUMBER 2016-005
(Continued)**

2016 General Fund	Receipts Overstatement	Expenditures Overstatement
Health Insurance Withholdings	\$6,617	\$7,357
Cell Phones Withholdings	\$240	\$240

The receipt and expenditure adjustment amounts above for 2016 do not equal because in December 2016 the Township posted the expenditure for the health insurance and cell phone withholdings, but did not post a corresponding receipt. This variance resulted in errors on the Township's December 2016 cash reconciliation.

Failure to accurately post and report receipt and expenditure transactions could result in material errors in the Township's financial statements and reduces the ability of the Trustees to monitor financial activity and to make sound decisions which affect the overall, available cash position of the Township.

The Township has corrected the financial statements, and accounting records where appropriate, to address these posting errors.

We recommend that the Township record a reduction of an expenditure when posting the health insurance and cell phone payments to avoid overstating receipts and expenditures.

Official's Response:

A warrant will be created for withholdings paid directly to the vendor. No future overstatement of receipts or expenditures will be made.

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Dave Yost • Auditor of State

CONCORD TOWNSHIP

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2018