



Dave Yost • Auditor of State

CONCORD TOWNSHIP
MIAMI COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) – Enterprise Fund - For the Year Ended December 31, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Enterprise Fund - For the Year Ended December 31, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19

This page intentionally left blank.



Dave Yost • Auditor of State

Concord Township
Miami County
1150 Horizon West Court
Troy, Ohio 45373

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

August 17, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Concord Township
Miami County
1150 Horizon West Court
Troy, Ohio 45373

To the Board of Trustees:

We have audited the accompanying financial statements of Concord Township, Miami County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Concord Township, Miami County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Concord Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

August 17, 2012

**CONCORD TOWNSHIP
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$58,670	\$432,444		\$491,114
Intergovernmental	122,485	177,532	\$106,367	406,384
Special Assessments		11,740		11,740
Earnings on Investments	9,004	758		9,762
Miscellaneous	8,200	115		8,315
Total Cash Receipts	<u>198,359</u>	<u>622,589</u>	<u>106,367</u>	<u>927,315</u>
Cash Disbursements:				
Current:				
General Government	157,844	9,733		167,577
Public Safety		399,064		399,064
Public Works	25,662	267,755		293,417
Health	31,378			31,378
Conservation/Recreation			106,367	106,367
Total Cash Disbursements	<u>214,884</u>	<u>676,552</u>	<u>106,367</u>	<u>997,803</u>
Excess of Receipts Over (Under) Disbursements	(16,525)	(53,963)		(70,488)
Fund Cash Balances, January 1	<u>1,561,825</u>	<u>449,687</u>		<u>2,011,512</u>
Fund Cash Balances, December 31:				
Restricted		395,724		395,724
Unassigned (Deficit)	<u>1,545,300</u>			<u>1,545,300</u>
Fund Cash Balances, December 31	<u>\$1,545,300</u>	<u>\$395,724</u>	<u>\$0</u>	<u>\$1,941,024</u>

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

CONCORD TOWNSHIP
MIAMI COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts:	
Licenses, Permits and Fees	\$54
Total Operating Cash Receipts	<u>54</u>
Operating Cash Disbursements:	
Other	<u> </u>
Total Operating Cash Disbursements	<u> </u>
Operating Income	<u>54</u>
Fund Cash Balances, January 1	<u>295</u>
Fund Cash Balances, December 31	<u><u>\$349</u></u>

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

**CONCORD TOWNSHIP
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$56,773	\$422,877	\$479,650
Intergovernmental	88,341	194,095	282,436
Special Assessments		11,061	11,061
Earnings on Investments	11,078	1,797	12,875
Miscellaneous	9,022		9,022
Total Cash Receipts	<u>165,214</u>	<u>629,830</u>	<u>795,044</u>
Cash Disbursements:			
Current:			
General Government	161,214		161,214
Public Safety		390,333	390,333
Public Works	5,661	400,770	406,431
Health	14,552		14,552
Capital Outlay		9,204	9,204
Total Cash Disbursements	<u>181,427</u>	<u>800,307</u>	<u>981,734</u>
Total Receipts Over/(Under) Disbursements	<u>(16,213)</u>	<u>(170,477)</u>	<u>(186,690)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		45,000	45,000
Transfers-Out	(45,000)		(45,000)
Total Other Financing Receipts / (Disbursements)	<u>(45,000)</u>	<u>45,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(61,213)</u>	<u>(125,477)</u>	<u>(186,690)</u>
Fund Cash Balances, January 1	<u>1,623,038</u>	<u>575,164</u>	<u>2,198,202</u>
Fund Cash Balances, December 31	<u><u>\$1,561,825</u></u>	<u><u>\$449,687</u></u>	<u><u>\$2,011,512</u></u>

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

**CONCORD TOWNSHIP
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGE IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Enterprise</u>
Operating Cash Receipts:	
Licenses, Permits, and Fees	\$9
Total Operating Cash Receipts	<u>9</u>
Operating Cash Disbursements:	
Other	
Total Operating Cash Disbursements	
Operating Income	<u>9</u>
Fund Cash Balances, January 1	<u>286</u>
Fund Cash Balances, December 31	<u><u>\$295</u></u>

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

**CONCORD TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Concord Township, Miami County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection and emergency medical services. The Township contracts with the City of Troy, City of Tipp City, and Village of Covington to provide fire and emergency medical services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's cash is deposited in a checking account, a STAR Ohio account, and a Certificate of Deposit which are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

Fire/EMS Fund - This fund receives property tax money for fire and emergency medical services for Township residents.

**CONCORD TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund;

OPWC Capital Projects Fund – This fund received resources from the Ohio Public Works Commission for the purchase of land and to demolish homes.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Township has only one Enterprise Fund:

Sign Fund - This fund receives funds from the sale of safety signs that Township residents purchase.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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:

**CONCORD TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. 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
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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:

	2011	2010
Demand Deposits	\$1,587,097	\$1,623,809
Certificate of Deposit	258,074	252,079
Total Deposits	1,845,171	1,875,888
STAR Ohio	96,202	135,919
Total Deposits and Investments	\$1,941,373	\$2,011,807

A. Deposits

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

B. Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$193,416	\$198,359	\$ 4,943
Special Revenue	615,027	622,589	7,562
Capital Projects		106,367	106,367
Enterprise	54	54	
Total	\$808,497	\$927,369	\$118,872

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 301,460	\$214,884	\$ 86,576
Special Revenue	811,050	676,552	134,498
Capital Projects		106,367	(106,367)
Enterprise	200	200	
Total	\$1,112,710	\$997,803	\$114,907

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 467,201	\$165,214	(\$301,987)
Special Revenue	728,764	674,830	(53,934)
Enterprise	34	9	(25)
Total	\$1,195,999	\$840,053	(\$355,946)

**CONCORD TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 696,377	\$ 226,427	\$469,950
Special Revenue	1,133,051	800,307	332,744
Enterprise	300		300
Total	\$1,829,728	\$1,026,734	\$802,994

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by \$106,367 for the year ended December 31, 2011.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

6. RISK MANAGEMENT

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

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

**CONCORD TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. RISK MANAGEMENT (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

B. 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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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

Contributions to OTARMA	
2011	\$9,733
2010	\$8,899

**CONCORD TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. RISK MANAGEMENT (Continued)

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.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Concord Township
Miami County
1150 Horizon West Court
Troy, Ohio 45373

To the Board of Trustees:

We have audited the financial statements of Concord Township, Miami County (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 17, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We also noted that the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for year ending December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-03 and 2011-04 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 17, 2012.

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

We intend this report solely for the information and use of management, the Board of Township Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 17, 2012

**CONCORD TOWNSHIP
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 149.351(A), states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully. At the beginning of the audit engagement the following items were noted as being removed or destroyed:

- The Township did not have STAR Ohio account statements for the months of January 2010 through May 2011.
- The Township did not have original MainSource Bank statements for the months of January 2010 through March 2010, May 2010 through June 2010, August 2010 through November 2010, January 2011, and April 2011. Copies of these statements had to be requested from the bank.
- The Township did not have the original certificate of deposit from MainSource Bank effective from the period of January 2010 through July 2011. A copy of this certificate of deposit had to be requested from the bank.
- The Township had over 200 expenditures during 2010 and 2011 where copies of check stubs did not exist.

The Township should implement procedures so that all records and other Township documentation are maintained and are only removed or destroyed in accordance with the Township's record retention schedule. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2011-02
(Continued)**

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to exceed of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** - The Township may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 9.1% of expenditures tested and the exceptions listed above were not utilized. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Additionally, the Township utilized blanket certificates in 2011 and 2010 and the Township Trustees had not established by resolution or ordinance a certain amount for Blanket Certificates.

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

FINDING NUMBER 2011-03

Material Weakness

Bank Reconciliations

The Township completed bank to book reconciliations for each month during 2011 and 2010 on the UAN accounting system. The Township's monthly bank reconciliations from the period of January 2010 through August 2011 contained multiple old and unusual reconciling items and errors that were listed as "other adjusting factors" in order to balance each month. The Fiscal Officer during this period did not follow up on these reconciling items and errors and let them accumulate each month to a total of approximately 100 items by August 2011 ranging in total from a low of \$939.80 in June 2010 to a high of \$62,674.67 in April 2011. These reconciling items included the following items:

- Differences in amounts posted to the expenditure ledger and amounts per cleared checks;
- Differences in interest revenue posted to the revenue ledger and credited to the checking accounts;
- Differences in the posting of receipts in the revenue ledger and amounts deposited to the checking account, including the posting of a receipt when no deposit was made and the deposit of a receipt with no receipt posted to the revenue ledger;
- Failure to record a memo expenditure for the monthly online banking service fees;
- Duplicate posting of receipts to the revenue ledger when only one receipt was deposited to the checking account;
- Issuance of checks that had not cleared in the month written and were not included on the outstanding check register;
- The removal of checks from the outstanding check register to City of Troy Income Tax, State of Ohio Income Tax, and School District Income Tax that were written between January 2010 and November 2010. The checks were written and recorded in the expenditure ledger, but the bank did not record any payments;
- Inclusion of checks on the outstanding check register after they had cleared the bank; and
- Understatement of the December 31, 2010 STAR Ohio investment account by \$1,955.93.

These items resulted in inaccurate bank reconciliations and reports provided to the Township Trustees for the months of January 2010 through August 2011; however, the subsequent Fiscal Officer corrected all of these reconciling items and errors by September 2011 resulting in numerous beginning fund balance adjustments being made to the UAN accounting system. These items were approved by the Township Trustees on June 21, 2011 and October 18, 2011 and there were no outstanding un-reconciled differences. Additionally, these differences had the potential to misstate the financial statements had these differences not been adjusted by the subsequent fiscal officer.

The Township should implement procedures to verify that bank reconciliations are prepared timely, that other adjusting factors are documented on the reconciliation and that an individual independent of the fiscal officer review and sign the bank reconciliation each month. Failure to do so may result in inaccurate financial information being presented to the Township Trustees and possible mishandling of funds, resulting in potential findings for recovery in future audits.

FINDING NUMBER 2011-04

Material Weakness

Financial Statement Misstatements

The Township prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Township's Annual Financial Report for 2011 and 2010 contained errors which resulted in several reclassifications and adjustments to correctly report the financial activity during and at the end of the periods as follows;

- In 2010, General Fund intergovernmental revenue was overstated by \$8,075; property tax revenue was understated by \$20,144; and general government expenditures were understated by \$12,069.
- In 2010, Special Revenue Funds intergovernmental revenue was understated by \$47,713; property tax revenue was overstated by \$43,676; public works expenditures were understated by \$819; and public safety expenditures were understated by \$3,218.
- In 2010, Reserve for Encumbrances was overstated by \$772 in the General Fund and \$1,771 in the Road & Bridge Fund.
- In 2011, General Fund intergovernmental revenue was understated by \$2,160 and Road & Bridge Fund miscellaneous revenue was overstated by \$2,160.
- In 2011, on-behalf of monies received from the Ohio Public Works Commission in the amount of \$106,367 during the year for the purchase and demolition of a condemned property within the Township in order to expand a Township park were not recorded on the accounting system or included in the annual financial report. In accordance with Auditor of State Bulletin 2002-004, the Township should have recorded a receipt and expenditure in the Capital Projects Fund equal to the amount disbursed by the OPWC. Additionally per Bulletin 2002-004, the Township should have included in its amended certificate of estimated resources and appropriations measures the amount to be received. The Township did not update its amended certificate of estimated resources or appropriations for these funds in 2011 which resulted in violations of Ohio Rev. Code Sections 5705.36(A)(3) and 5705.41(B).

Adjustments and reclassifications to correct the significant errors above are reflected in the accompanying financial statements. Additionally, for the fourth bullet point above, the client has recorded this adjustment in the UAN accounting system.

To improve the accuracy and completeness of the Township's financial statements and provide comparative financial statements from year to year, the posting of receipts should be performed consistently with the instructions contained in the Ohio Township Handbook and the Uniform Accounting Network (UAN) Chart of Accounts.

Officials' Response:

The responsibilities of the Fiscal Officer for Concord Township are provided in the State of Ohio's Ohio Revised Code and the Administrative Code. When an individual is elected or appointed to serve as the Fiscal Officer for a township, he/she takes an oath of office pledging to adhere to and carry out these detailed responsibilities.

In August 2009 John Bosse was appointed the Fiscal Office for Concord Township. He held this office through May 31, 2011 at which time he resigned.

The findings presented in this audit report documents that Mr. Bosse failed to carry out certain responsibilities of the Fiscal Officer during the time he served as the Fiscal Officer for our township.

It is important to note that the auditors did not discover any misuse of the township's funds therefore there is no Finding for Recovery presented in the report.

Officials' Response: (continued)

It is also important to note that the Fiscal Officer appointed on June 1, 2011 to replace Mr. Bosse followed by the newly elected Fiscal Officer that took over the office in November 2011 have brought the financial records of Concord Township back into compliance with the requirements noted earlier.

During Mr. Bosse's time as the Fiscal Officer, correspondence was sent to him from offices of the State of Ohio advising of his non-compliance with certain statutes. That correspondence was not made available to the township's elected trustees therefore they had no knowledge of the compliance problems that existed with the township's financial records.

This page intentionally left blank.



Dave Yost • Auditor of State

CONCORD TOWNSHIP

MIAMI 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
SEPTEMBER 18, 2012**