



Mary Taylor, CPA
Auditor of State

WARREN TOWNSHIP
WASHINGTON COUNTY

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Mary Taylor, CPA
Auditor of State

Warren Township
Washington County
95 Coffman Road
Marietta, Ohio 45750

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 5, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Warren Township
Washington County
95 Coffman Road
Marietta, Ohio 45750

To the Board of Trustees:

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

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

As described more fully in Note 1, 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.

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

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

During 2006, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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

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



Mary Taylor, CPA
Auditor of State

August 5, 2008

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|-----------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$173,945 | \$427,091 | | | \$601,036 |
| Charges for Services | 800 | | | | 800 |
| Licenses, Permits, and Fees | | 9,575 | | | 9,575 |
| Intergovernmental | 124,269 | 308,118 | \$323,970 | | 756,357 |
| Earnings on Investments | 36,169 | 4,268 | | \$48 | 40,485 |
| Miscellaneous | 3,606 | 7,338 | | | 10,944 |
| | <u>338,789</u> | <u>756,390</u> | <u>323,970</u> | <u>48</u> | <u>1,419,197</u> |
| Total Cash Receipts | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 223,593 | | | | 223,593 |
| Public Safety | 5,020 | 72,984 | | | 78,004 |
| Public Works | | 522,556 | | | 522,556 |
| Health | 9,900 | 20,463 | | | 30,363 |
| Conservation - Recreation | 19,384 | | | | 19,384 |
| Capital Outlay | 206,041 | 146,040 | 323,970 | | 676,051 |
| Debt Service: | | | | | |
| Redemption of Principal | 5,100 | 12,389 | | | 17,489 |
| Interest and Other Fiscal Charges | 4,958 | 1,228 | | | 6,186 |
| | <u>473,996</u> | <u>775,660</u> | <u>323,970</u> | <u>0</u> | <u>1,573,626</u> |
| Total Cash Disbursements | | | | | |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>(135,207)</u> | <u>(19,270)</u> | <u>0</u> | <u>48</u> | <u>(154,429)</u> |
| Other Financing Receipts / (Disbursements): | | | | | |
| Sale of Bonds | 200,000 | | | | 200,000 |
| Other Debt Proceeds | | 93,992 | | | 93,992 |
| | <u>200,000</u> | <u>93,992</u> | <u>0</u> | <u>0</u> | <u>293,992</u> |
| Total Other Financing Receipts / (Disbursements) | | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements | 64,793 | 74,722 | 0 | 48 | 139,563 |
| Fund Cash Balances, January 1 | 233,763 | 561,397 | | 1,221 | 796,381 |
| Fund Cash Balances, December 31 | <u>\$298,556</u> | <u>\$636,119</u> | <u>\$0</u> | <u>\$1,269</u> | <u>\$935,944</u> |

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

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$196,766 | \$467,661 | | \$664,427 |
| Charges for Services | 303 | | | 303 |
| Licenses, Permits, and Fees | | 11,200 | | 11,200 |
| Intergovernmental | 93,282 | 264,933 | | 358,215 |
| Earnings on Investments | 24,816 | 3,966 | \$43 | 28,825 |
| Miscellaneous | 6,049 | 15,659 | | 21,708 |
| | <u>321,216</u> | <u>763,419</u> | <u>43</u> | <u>1,084,678</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 211,701 | 3,121 | | 214,822 |
| Public Safety | 1,710 | 84,136 | | 85,846 |
| Public Works | | 480,951 | | 480,951 |
| Health | 10,200 | 16,167 | | 26,367 |
| Conservation - Recreation | 19,213 | 18,400 | | 37,613 |
| Capital Outlay | | 35,093 | | 35,093 |
| Debt Service: | | | | |
| Redemption of Principal | | 11,878 | | 11,878 |
| Interest and Other Fiscal Charges | | 1,739 | | 1,739 |
| | <u>242,824</u> | <u>651,485</u> | <u>0</u> | <u>894,309</u> |
| Total Cash Disbursements | | | | |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>78,392</u> | <u>111,934</u> | <u>43</u> | <u>190,369</u> |
| Other Financing Receipts / (Disbursements): | | | | |
| Transfers-In | | 18,793 | | 18,793 |
| Transfers-Out | | (18,793) | | (18,793) |
| Advances-In | | 25,000 | | 25,000 |
| Advances-Out | (25,000) | | | (25,000) |
| | <u>(25,000)</u> | <u>25,000</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Receipts / (Disbursements) | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements | <u>53,392</u> | <u>136,934</u> | <u>43</u> | <u>190,369</u> |
| Fund Cash Balances, January 1 | <u>180,371</u> | <u>424,463</u> | <u>1,178</u> | <u>606,012</u> |
| Fund Cash Balances, December 31 | <u>\$233,763</u> | <u>\$561,397</u> | <u>\$1,221</u> | <u>\$796,381</u> |

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

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Warren Township, Washington 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 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. Cash and Investments

Money market mutual funds (including STAROhio) are recorded at share values the mutual funds report.

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 Fund:

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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:

Inman Liberty N.W.E. Trail Fund - The Township received a grant from the State of Ohio to purchase land within the Township for the site of a new fire house, as well as the construction of a walking trail and park facilities.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Funds: Anderson Cemetery Bequest, Finch Cemetery Bequest, McNary Cemetery Bequest, and the Ormiston Cemetery Bequest. These funds receive interest earned on the non-expendable corpus from a trust agreement. These earnings can be used for the general maintenance and upkeep of the Township cemetery.

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 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.

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2006</u> | <u>2007</u> |
|--------------------------------|------------------|------------------|
| Demand deposits | \$402,642 | \$402,176 |
| Total deposits | <u>402,642</u> | <u>402,176</u> |
| | | |
| STAROhio | 393,739 | 533,768 |
| Total investments | <u>393,739</u> | <u>533,768</u> |
| Total deposits and investments | <u>\$796,381</u> | <u>\$935,944</u> |

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

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

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

3. BUDGETARY ACTIVITY

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

| 2007 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$535,640 | \$538,789 | \$3,149 |
| Special Revenue | 862,864 | 850,382 | (12,482) |
| Capital Projects | 323,970 | 323,970 | 0 |
| Permanent | 30 | 48 | 18 |
| Total | \$1,722,504 | \$1,713,189 | (\$9,315) |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$474,399 | \$473,996 | \$403 |
| Special Revenue | 1,251,782 | 775,660 | 476,122 |
| Capital Projects | 323,970 | 323,970 | 0 |
| Permanent | 1,251 | 0 | 1,251 |
| Total | \$2,051,402 | \$1,573,626 | \$477,776 |

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$337,786 | \$321,216 | (\$16,570) |
| Special Revenue | 798,386 | 807,212 | 8,826 |
| Permanent | 45 | 43 | (2) |
| Total | \$1,136,217 | \$1,128,471 | (\$7,746) |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$500,433 | \$267,824 | \$232,609 |
| Special Revenue | 1,124,603 | 670,278 | 454,325 |
| Permanent | 1,207 | 0 | 1,207 |
| Total | \$1,626,243 | \$938,102 | \$688,141 |

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority at the legal level of control for certain accounts in the General Fund, Road and Bridge Fund, and Cemetery Fund at December 31, 2007. Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority at the legal level of control for certain accounts in the General Fund, Motor Vehicle License Tax Fund, and the Road and Bridge Fund at December 31, 2006.

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. DEBT

Debt outstanding at December 31, 2007 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------------------|------------------|----------------------|
| Dump Truck Capital Lease - R105 | \$19,587 | 2.00% |
| Dump Truck Capital Lease - R107 | 93,992 | 4.45% |
| 2007 Real Estate Acquisition Bonds | 194,900 | 4.85% |
| Total | <u>\$308,479</u> | |

The Township entered into a lease purchase agreement in 2004 in the amount of \$60,758 for the purchase of a dump truck to be used for Township road maintenance. The note is collateralized by the vehicle and the Township's taxing authority. The notes are being repaid from the Gasoline Tax Fund in bi-annual installments of \$6,808, which includes interest.

The Township entered into a lease purchase agreement in 2007 in the amount of \$93,992 for the purchase of a dump truck to be used for Township road maintenance. The note is collateralized by the vehicle and the Township's taxing authority. The notes will be repaid, beginning May 15, 2008, from the Gasoline Tax Fund in bi-annual installments of \$10,677, which includes interest.

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

5. DEBT (Continued)

The Real Estate Acquisition Bonds Series 2007 relate to the purchase of land to be used for the site of a new fire station, as well as a walking trail and park facility. The bonds will be repaid in annual payments of approximately \$19,500, with a lump sum last payment of \$103,697 due on December 1, 2016. These bonds are collateralized by the Township's taxing authority.

Amortization of the above debt, including interest, follows:

| Year ending December 31: | Dump Truck Capital Lease R105 | Dump Truck Capital Lease R107 | Real Estate Acquisition Bonds - 2007 |
|-----------------------------|-------------------------------------|-------------------------------------|--|
| 2008 | \$13,617 | \$21,354 | \$19,553 |
| 2009 | 6,808 | 21,354 | 19,563 |
| 2010 | | 21,354 | 19,549 |
| 2011 | | 21,354 | 19,610 |
| 2012 | | 21,354 | 19,543 |
| 2013-2017 | | 0 | 162,359 |
| Total | <u>\$20,425</u> | <u>\$106,770</u> | <u>\$260,177</u> |

6. 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. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. RISK MANAGEMENT

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

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

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

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

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

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

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

Financial Position

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

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$21,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

| | | |
|------|----|--------|
| 2005 | \$ | 25,455 |
| 2006 | \$ | 26,846 |
| 2007 | \$ | 22,908 |

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



Mary Taylor, CPA

Auditor of State

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

Warren Township
Washington County
95 Coffman Road
Marietta, Ohio 45750

To the Board of Trustees:

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

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-002 and 2007-003 are also material weaknesses.

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 5, 2008.

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



Mary Taylor, CPA
Auditor of State

August 5, 2008

**WARREN TOWNSHIP
WASHINGTON COUNTY**

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

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

For the years ending December 31, 2007 and 2006, expenditures exceeded appropriations at the legal level of control for the following accounts:

| Year | Fund-Function-Object | Appropriation Authority | Disbursements | Variance |
|------|----------------------|----------------------------|---------------|-----------|
| 2007 | 1000-110-315 | \$ 2,500 | \$ 2,685 | \$ (185) |
| 2007 | 1000-760-710 | 6,041 | 206,041 | (200,000) |
| 2007 | 2031-330-314 | 5,860 | 6,860 | (1,000) |
| 2007 | 2031-820-820 | 0 | 1,228 | (1,228) |
| 2007 | 2041-410-360 | 0 | 18,163 | (18,163) |
| 2007 | 2041-410-599 | 2,000 | 2,187 | (187) |
| 2006 | 1000-110-211 | 8,000 | 8,415 | (415) |
| 2006 | 2021-330-190 | 0 | 24,939 | (24,939) |
| 2006 | 2031-110-111 | (2,308) | 3,121 | (5,429) |
| 2006 | 2031-330-224 | (3,500) | 766 | (4,266) |
| 2006 | 2031-820-820 | 0 | 1,739 | (1,739) |

This could result in the Township spending more than is available to spend.

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

FINDING NUMBER 2007-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

**WARREN TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Material Weakness (Continued)

At December 31, 2007 and 2006, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for the following funds/line items:

| Year | Fund/Line Item | Appropriations Posted to the Accounting System | Approved Appropriations | Variance |
|------|----------------|--|----------------------------|----------|
| 2007 | 1000-110-221 | \$ 55,600 | \$ 48,000 | \$ 7,600 |
| 2007 | 1000-110-315 | 2,685 | 2,500 | 185 |
| 2007 | 1000-110-599 | 118,288 | 126,075 | (7,787) |
| 2007 | 1000-760-710 | 206,041 | 6,041 | 200,000 |
| 2007 | 2011-330-420 | 15,000 | 10,000 | 5,000 |
| 2007 | 2011-590-599 | 5,368 | 10,368 | (5,000) |
| 2007 | 2031-330-190 | 135,000 | 136,000 | (1,000) |
| 2007 | 2031-330-314 | 6,860 | 5,860 | 1,000 |
| 2007 | 2031-330-360 | 1,000 | | 1,000 |
| 2007 | 2031-330-599 | 1,025 | 31,265 | (30,240) |
| 2007 | 2031-590-599 | 3,640 | (25,860) | 29,500 |
| 2007 | 2041-410-360 | 10,000 | | 10,000 |
| 2007 | 2041-410-360 | 14,000 | | 14,000 |
| 2007 | 2041-410-420 | 2,000 | 32,000 | (30,000) |
| 2007 | 2041-410-599 | 8,000 | 2,000 | 6,000 |
| 2006 | 1000-110-211 | 9,000 | 8,000 | 1,000 |
| 2006 | 1000-110-213 | 1,100 | 2,100 | (1,000) |
| 2006 | 1000-110-214 | 600 | 450 | 150 |
| 2006 | 1000-110-221 | 87,362 | 87,862 | (500) |
| 2006 | 1000-110-223 | 2,200 | 1,700 | 500 |
| 2006 | 1000-110-315 | 2,000 | 7,000 | (5,000) |
| 2006 | 1000-110-330 | 7,000 | 5,000 | 2,000 |
| 2006 | 1000-110-381 | 14,450 | 17,000 | (2,550) |
| 2006 | 1000-610-360 | 3,000 | | 3,000 |
| 2006 | 2021-330-211 | 33,000 | | 33,000 |
| 2006 | 2021-330-221 | 40,689 | 39,839 | 850 |
| 2006 | 2021-330-420 | 42,949 | 43,800 | (851) |
| 2006 | 2031-110-111 | 3,192 | (2,308) | 5,500 |
| 2006 | 2031-330-221 | 32,000 | 31,800 | 200 |
| 2006 | 2031-330-224 | 1,500 | (3,500) | 5,000 |
| 2006 | 2031-330-323 | 32,750 | 24,500 | 8,250 |
| 2006 | 2031-330-420 | 127,000 | 153,450 | (26,450) |

**WARREN TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Material Weakness (Continued)

At December 31, 2007 and 2006, estimated receipts per the amended certificates did not agree to the estimated receipts the Fiscal Officer entered into the revenue ledger as follows:

| Year | Fund | Estimated Receipts per Budget Commission | Amounts Per Township Reports | Variance |
|------|---------------------------|--|---------------------------------|----------|
| 2007 | General | \$ 535,640 | \$ 538,789 | \$ 3,149 |
| 2007 | Motor Vehicle License Tax | 35,546 | 35,657 | 111 |
| 2007 | Gas Tax | 99,166 | 99,338 | 172 |
| 2007 | Permanent | 30 | 48 | 18 |
| 2006 | Road and Bridge | 344,125 | 349,093 | 4,968 |
| 2006 | Fire Operating | 75,046 | 76,203 | 1,157 |
| 2006 | Fire Equipment | 149,793 | 190,043 | 40,250 |
| 2006 | Permissive Sales Tax | 72,846 | 70,206 | (2,640) |
| 2006 | Warren Township Park | 5,111 | 3,556 | (1,555) |
| 2006 | FEMA | 15,760 | 18,400 | 2,640 |

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer take due care in posting only approved estimated receipts and appropriations.

WARREN TOWNSHIP
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-003

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall 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 the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

The Fiscal Officer incorrectly posted the following:

- Debt interest payments to the debt principal line item instead of the debt interest line item in 2006 in the amount of \$1,739 and in 2007 in the amount of \$1,228 in the Road and Bridge Fund.
- Debt principal and interest payments to the General Government Expenditure line item instead of debt principal and debt interest line items in 2007 in the amount of \$10,058 in the General Fund.
- Public utility reimbursement revenues to taxes instead of intergovernmental revenue in 2006 in the amount of \$22,763 in the General Fund, \$28,653 in the Road and Bridge Fund, \$6,914 in the Fire Operating Fund and \$13,469 in the Fire Equipment Fund.
- Public utility reimbursement revenues in the General Fund in the amount of \$505 in 2006. These revenues should have been posted to the Road and Bridge Fund in the amount of \$67, Fire Operating Fund in the amount of \$266 and the Fire Equipment Fund in the amount of \$172.
- Real estate taxes to the intergovernmental line item instead of taxes in 2007 in the amount of \$1,146 in the General Fund.
- Debt proceeds and the related capital outlay expenditure for a dump truck lease in the Capital Projects Fund in 2007 in the amount of \$93,992. This amount should have been posted to the Road and Bridge Fund.
- Reimbursement from the FEMA Fund to the Road and Bridge Fund as a capital outlay expenditure instead of a transfer out in the amount of \$18,793 in the FEMA Fund. This was also recorded as a miscellaneous receipt in the Road and Bridge Fund instead of a transfer in.

Also, the Fiscal Officer did not post a check in 2007 in the amount of \$1,000 in the Road and Bridge Fund.

As a result, these significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

Officials' Response: We did not receive a response from Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

WARREN TOWNSHIP
WASHINGTON 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 16, 2008