



Dave Yost • Auditor of State

WARREN TOWNSHIP
BELMONT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Warren Township
Belmont County
P.O. Box 2
Barnesville, Ohio 43713

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 11, 2014

**WARREN TOWNSHIP
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$21,932	\$143,626			\$165,558
Intergovernmental	28,859	119,350			148,209
Earnings on Investments	57	35			92
Miscellaneous	1,093				1,093
<i>Total Cash Receipts</i>	<u>51,941</u>	<u>263,011</u>	<u>\$0</u>	<u>\$0</u>	<u>314,952</u>
Cash Disbursements					
Current:					
General Government	65,291	10,176			75,467
Public Safety	1,000	12,135			13,135
Public Works	12,378	200,007			212,385
Human Services		1,882			1,882
Capital Outlay		69,034			69,034
Debt Service:					
Principal Retirement		17,336			17,336
Interest and Fiscal Charges		1,549			1,549
<i>Total Cash Disbursements</i>	<u>78,669</u>	<u>312,119</u>	<u>0</u>	<u>0</u>	<u>390,788</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(26,728)</u>	<u>(49,108)</u>	<u>0</u>	<u>0</u>	<u>(75,836)</u>
Other Financing Receipts					
Sale of Notes		55,000			55,000
Other Financing Sources	15,004	1,500			16,504
<i>Total Other Financing Receipts</i>	<u>15,004</u>	<u>56,500</u>	<u>0</u>	<u>0</u>	<u>71,504</u>
<i>Net Change in Fund Cash Balances</i>	<u>(11,724)</u>	<u>7,392</u>	<u>0</u>	<u>0</u>	<u>(4,332)</u>
<i>Fund Cash Balances, January 1</i>	<u>41,554</u>	<u>130,045</u>	<u>153</u>	<u>1,070</u>	<u>172,822</u>
Fund Cash Balances, December 31					
Nonspendable				1,064	1,064
Restricted		137,437	153		137,590
Committed				6	6
Unassigned	29,830				29,830
<i>Fund Cash Balances, December 31</i>	<u>\$29,830</u>	<u>\$137,437</u>	<u>\$153</u>	<u>\$1,070</u>	<u>\$168,490</u>

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

**WARREN TOWNSHIP
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$19,739	\$135,612			\$155,351
Licenses, Permits and Fees		8,305			8,305
Intergovernmental	53,995	119,937			173,932
Earnings on Investments	124	31		\$6	161
<i>Total Cash Receipts</i>	<u>73,858</u>	<u>263,885</u>	<u>\$0</u>	<u>6</u>	<u>337,749</u>
Cash Disbursements					
Current:					
General Government	72,689				72,689
Public Safety		14,179			14,179
Public Works	14,058	222,992			237,050
Health	1,886				1,886
Capital Outlay		236			236
Debt Service:					
Principal Retirement	9,621	2,927			12,548
Interest and Fiscal Charges	379	73			452
<i>Total Cash Disbursements</i>	<u>98,633</u>	<u>240,407</u>	<u>0</u>	<u>0</u>	<u>339,040</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(24,775)</u>	<u>23,478</u>	<u>0</u>	<u>6</u>	<u>(1,291)</u>
Other Financing Receipts					
Sale of Capital Assets	9,000				9,000
Other Financing Sources	568				568
<i>Total Other Financing Receipts</i>	<u>9,568</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,568</u>
<i>Net Change in Fund Cash Balances</i>	<u>(15,207)</u>	<u>23,478</u>	<u>0</u>	<u>6</u>	<u>8,277</u>
<i>Fund Cash Balances, January 1</i>	<u>56,761</u>	<u>106,567</u>	<u>153</u>	<u>1,064</u>	<u>164,545</u>
Fund Cash Balances, December 31					
Nonspendable				1,064	1,064
Restricted		130,045	153		130,198
Committed				6	6
Unassigned	41,554				41,554
<i>Fund Cash Balances, December 31</i>	<u>\$41,554</u>	<u>\$130,045</u>	<u>\$153</u>	<u>\$1,070</u>	<u>\$172,822</u>

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

**WARREN TOWNSHIP
BELMONT COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Warren Township, Belmont 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, fire protection, and emergency medical services. The Township contracts with the Village of Barnesville to provide fire and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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 for constructing, maintaining, and repairing Township roads.

**WARREN TOWNSHIP
BELMONT COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. 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:

Note Retirement Fund - This fund has a balance from money that was used to pay principal and interest on a Township note.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

D. 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. 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 approve estimated resources.

3. Encumbrances

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

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

**WARREN TOWNSHIP
BELMONT COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

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.

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.

**WARREN TOWNSHIP
BELMONT COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 Deposits

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

	2013	2012
Demand deposits	\$168,490	\$172,822

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

3. Budgetary Activity

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,162	\$66,945	\$20,783
Special Revenue	287,556	319,511	31,955
Total	\$333,718	\$386,456	\$52,738

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,153	\$78,669	\$14,484
Special Revenue	350,652	312,119	38,533
Total	\$443,805	\$390,788	\$53,017

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,310	\$83,426	\$30,116
Special Revenue	237,053	263,885	26,832
Permanent		6	6
Total	\$290,363	\$347,317	\$56,954

**WARREN TOWNSHIP
BELMONT COUNTY**

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

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,750	\$98,633	\$25,117
Special Revenue	314,364	240,407	73,957
Total	\$438,114	\$339,040	\$99,074

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.

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, 2013, was as follows:

Truck-Promissory Note	Principal	Interest Rate
	\$44,549	3.056%

The Township issued a promissory note to finance the purchase of a new dump truck for Township road maintenance. The dump truck collateralized the note.

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

Year ending December 31:	Promissory Note
2014	\$11,888
2015	11,888
2016	11,888
2017	11,752
Total	\$47,416

6. Retirement System

The Township's employees and elected officials 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 includes postretirement healthcare and survivor and disability benefits.

**WARREN TOWNSHIP
BELMONT COUNTY**

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

6. Retirement System (Continued)

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

7. Risk Management

Risk Pool Membership

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, 2013, 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

**WARREN TOWNSHIP
BELMONT COUNTY**

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

7. Risk Management (Continued)

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,709	\$4,353

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

8. Contingent Liabilities

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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*

Warren Township
Belmont County
P.O. Box 2
Barnesville, Ohio 43713

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 Warren Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 11, 2014, 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.

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 material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 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, 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 2013-001 and 2013-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 11, 2014

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt. Under Ohio Rev. Code § 133.22, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute. Further, Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. Under Ohio Rev. Code § 133.15, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct. In addition, under Ohio Rev. Code § 133.18, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2013, the Township issued a five year commercial promissory note in the amount of \$55,000 with WesBanco Bank, Inc. The promissory note was used by the Township to purchase a truck. This type of debt does not meet the criteria for any of the debt authorized in Ohio Rev. Code Chapter 133.

Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such method. In the instant case, the Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

We recommend the Township consult with legal counsel when the Board anticipates incurring debt to help ensure the debt is authorized by statute.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The following mis-postings were noted during 2013:

- Trailer tax revenue in the amount of \$1,172 was posted entirely to the General Fund, but should have been allocated to the General, Road and Bridge, and Fire Levy funds in the amounts of \$130, \$932, and \$110, respectively.
- State homestead and rollback revenue in the amount of \$23,116 was posted to the Gasoline Tax Fund, but should have been allocated to the General, Road and Bridge, and Fire Levy funds in the amounts of \$3,549, \$17,538, and \$2,029, respectively.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

**FINDING NUMBER 2013-002
(Continued)**

Noncompliance and Material Weakness – Ohio Rev. Code § 5705.10 (Continued)

The following mis-postings were noted during 2012:

- Trailer tax revenue in the amount of \$1,027 was posted entirely to the General Fund, but should have been allocated to the General, Road and Bridge, and Fire Levy funds in the amounts of \$171, \$762, and \$94, respectively.
- State homestead and rollback revenue in the amount of \$11,067 was posted entirely to the General Fund, but should have been allocated to the General, Road and Bridge, and Fire Levy funds in the amounts of \$1,636, \$8,395, and \$1,036, respectively.
- State homestead and rollback revenue in the amount of \$11,056 was posted entirely to the Road and Bridge Fund, but should have been allocated to the General, Road and Bridge, and Fire Levy funds in the amounts of \$1,634, \$8,387, and \$1,035, respectively.
- State trailer homestead revenue in the amount of \$137 was posted entirely to the General Fund, but should have been allocated to the General, Road and Bridge, and Fire Levy funds in the amounts of \$13, \$110, and \$14, respectively.
- State trailer rollback revenue in the amount of \$147 was posted entirely to the Gasoline Tax Fund, but should have been allocated to the General, Road and Bridge, and Fire Levy funds in the amounts of \$17, \$116, and \$14, respectively.

Ohio Rev. Code § 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax for which the law does not prescribe use for a particular purpose, shall be paid into the general fund.

In 2012, state local government revenue in the amount of \$2,507 was posted entirely to the Gasoline Tax Fund, but should have been posted to the General Fund.

These adjustments to which Township management agrees have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer record homestead and rollback, trailer tax, trailer homestead, and trailer rollback revenue in accordance with the semi-annual apportionment of taxes forms received from the County Auditor. In addition, we recommend the Fiscal Officer record local government revenues in the General Fund.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-003

Material Weakness

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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2014) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

The following was noted during 2013:

- Debt payments in the amount of \$18,885 in the Permissive Motor Vehicle License Tax Fund were posted as Public Works and should have been posted to Debt Service-Principal and Debt Service-Interest in the amounts of \$17,336 and \$1,549, respectively.
- A down payment on the purchase of a truck in the amount of \$10,386 in the Permissive Motor Vehicle License Tax Fund was posted to Public Works and should have been posted to Capital Outlay.
- The issuance of a promissory note and corresponding payment for the purchase of a truck in the amount of \$55,000 was not recorded by the Township and should have been posted as Sale of Notes and Capital Outlay in the Permissive Motor Vehicle License Tax Fund.
- Trailer Tax revenue in the amount of \$81 in the General Fund was posted as Intergovernmental and should have been posted as Taxes.
- A refund from the Bureau of Workers' Compensation in the amount of \$1,055 in the General Fund was posted to Intergovernmental and should have been posted to Miscellaneous.
- A donation from an oil company and a grant from the Ohio Township Association Risk Management Authority totaling \$1,500 in the Road and Bridge Fund were posted as Intergovernmental and should have been posted as Other Financing Sources.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

**FINDING NUMBER 2013-003
(Continued)**

Material Weakness (Continued)

- Fund balance in the amount of \$18,708 in the Permissive Motor Vehicle License Tax Fund was improperly classified as Assigned and should have been classified as Restricted.
- Fund balance in the amount of \$6 in the Cemetery Endowment Fund was improperly classified as Non-spendable and should have been classified as Committed.
- Tax receipts were posted for the net amount received rather than posting a receipt for the gross amount received and posting an expenditure for the deductions charged by the County causing both tax receipts and expenditures to be understated in the General, Road and Bridge, and Fire Levy Funds in the amounts of \$4,784, \$1,152, and \$135, respectively.

The following was noted during 2012:

- Debt payments in the amount of \$10,000 in the General Fund were posted as Capital Outlay and should have been posted to Debt Service-Principal and Debt Service-Interest in the amounts of \$9,621 and \$379, respectively.
- Debt payments in the amount of \$3,000 in the Motor Vehicle License Tax Fund were posted as Public Works and should have been posted to Debt Service-Principal and Debt Service-Interest in the amounts of \$2,927 and \$73, respectively.
- The proceeds of the sale of a Township truck in the amount of \$9,000 in the General Fund were posted to Miscellaneous and should have been posted to Sale of Capital Assets.
- State Homestead and Rollback money in the amount of \$1,636 in the General Fund was posted as Taxes and should have been posted as Intergovernmental.
- Fund balance in the amount of \$46,845 in the Road and Bridge Fund was improperly classified as Committed and should have been classified as Restricted.
- Fund balance in the amount of \$1,882 in the FEMA Fund was improperly classified as Assigned and should have been classified as Restricted.
- Fund balance in the amount of \$6 in the Cemetery Endowment Fund was improperly classified as Non-spendable and should have been classified as Committed.
- Tax receipts were posted for the net amount received rather than posting a receipt for the gross amount received and posting an expenditure for the deductions charged by the County causing both tax receipts and expenditures to be understated in the General, Road and Bridge, and Fire Levy Funds in the amounts of \$10,725, \$2,580, and \$319, respectively.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

**FINDING NUMBER 2013-003
(Continued)**

Material Weakness (Continued)

The adjustments with which the Township officials' agree are reflected within the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. This guidance will help ensure the Fiscal Officer makes proper postings to receipt and expenditure account classifications based on the source of the receipt and purpose of the expenditure.

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

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 5705.41(B) regarding expenditures in excess of appropriations.	Yes	N/A.
2011-02	Ohio Rev. Code Section 5705.38(A) regarding not approving appropriations in 2011.	Yes	N/A.
2011-03	Ohio Rev. Code Section 5705.10(D) regarding revenue misclassifications.	No	Not Corrected; Repeated as Finding 2013-002.
2011-04	Ohio Rev. Code Section 507.09(C) regarding not properly documenting charges to funds other than the General Fund.	Yes	N/A.
2011-05	Ohio Rev. Code Section 505.24(C) regarding not properly documenting charges to funds other than the General Fund.	Yes	N/A.
2011-06	Significant Deficiency for not posting estimated receipts and appropriations to the accounting system correctly.	Yes	N/A.



Dave Yost • Auditor of State

WARREN TOWNSHIP

BELMONT 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
JULY 31, 2014**