



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
400 Pultney Avenue
Barnesville, Ohio 43713

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Warren Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

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 § 117.38 and Ohio Administrative Code § 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 opinions.

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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, 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, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 October 28, 2016, 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

October 28, 2016

**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, 2015**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$26,108	\$165,156	\$0	\$0	\$191,264
Intergovernmental	62,570	112,550	0	0	175,120
Earnings on Investments	52	40	0	2	94
Miscellaneous	36	0	0	0	36
<i>Total Cash Receipts</i>	<u>88,766</u>	<u>277,746</u>	<u>0</u>	<u>2</u>	<u>366,514</u>
Cash Disbursements					
Current:					
General Government	61,917	186	0	0	62,103
Public Safety	840	14,171	0	0	15,011
Public Works	8,412	270,654	0	0	279,066
Health	5,550	0	0	0	5,550
Capital Outlay		9,112			9,112
Debt Service:					
Principal Retirement	0	15,573	0	0	15,573
Interest and Fiscal Charges	0	627	0	0	627
<i>Total Cash Disbursements</i>	<u>76,719</u>	<u>310,323</u>	<u>0</u>	<u>0</u>	<u>387,042</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>12,047</u>	<u>(32,577)</u>	<u>0</u>	<u>2</u>	<u>(20,528)</u>
Other Financing Receipts					
Other Financing Sources	1,313	1,362	0		2,675
<i>Total Other Financing Receipts</i>	<u>1,313</u>	<u>1,362</u>	<u>0</u>	<u>0</u>	<u>2,675</u>
<i>Net Change in Fund Cash Balances</i>	13,360	(31,215)	0	2	(17,853)
<i>Fund Cash Balances, January 1</i>	<u>19,538</u>	<u>141,778</u>	<u>153</u>	<u>1,075</u>	<u>162,544</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	1,064	1,064
Restricted	0	97,805	153	0	97,958
Committed	0	12,758	0	13	12,771
Unassigned (Deficit)	32,898	0	0	0	32,898
<i>Fund Cash Balances, December 31</i>	<u>\$32,898</u>	<u>\$110,563</u>	<u>\$153</u>	<u>\$1,077</u>	<u>\$144,691</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, 2014**

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$24,678	\$157,610	\$0	\$0	\$182,288
Intergovernmental	27,806	111,335	0	0	139,141
Earnings on Investments	46	49	0	5	100
Miscellaneous	1,000	0	0	0	1,000
<i>Total Cash Receipts</i>	<u>53,530</u>	<u>268,994</u>	<u>0</u>	<u>5</u>	<u>322,529</u>
Cash Disbursements					
Current:					
General Government	72,379	11	0	0	72,390
Public Safety	1,200	10,000	0	0	11,200
Public Works	12,243	250,621	0	0	262,864
Debt Service:					
Principal Retirement	0	16,910	0	0	16,910
Interest and Fiscal Charges	0	1,090	0	0	1,090
<i>Total Cash Disbursements</i>	<u>85,822</u>	<u>278,632</u>	<u>0</u>	<u>0</u>	<u>364,454</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(32,292)</u>	<u>(9,638)</u>	<u>0</u>	<u>5</u>	<u>(41,925)</u>
Other Financing Receipts					
Other Financing Sources	22,000	13,979	0	0	35,979
<i>Total Other Financing Receipts</i>	<u>22,000</u>	<u>13,979</u>	<u>0</u>	<u>0</u>	<u>35,979</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,292)</u>	<u>4,341</u>	<u>0</u>	<u>5</u>	<u>(5,946)</u>
<i>Fund Cash Balances, January 1</i>	<u>29,830</u>	<u>137,437</u>	<u>153</u>	<u>1,070</u>	<u>168,490</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	1,064	1,064
Restricted	0	141,778	153	0	141,931
Committed	0	0	0	11	11
Assigned	19,496	0	0	0	19,496
Unassigned (Deficit)	42	0	0	0	42
<i>Fund Cash Balances, December 31</i>	<u>\$19,538</u>	<u>\$141,778</u>	<u>\$153</u>	<u>\$1,075</u>	<u>\$162,544</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, 2015 AND 2014**

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

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

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, 2015 AND 2014
(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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**WARREN TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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, 2015 AND 2014
(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:

	2015	2014
Demand deposits	\$144,691	\$162,544

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014, follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,499	\$90,079	\$25,580
Special Revenue	277,900	279,108	1,208
Permanent	0	2	2
Total	\$342,399	\$369,189	\$26,790

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,037	\$77,822	\$6,215
Special Revenue	419,678	313,506	106,172
Total	\$503,715	\$391,328	\$112,387

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,616	\$75,530	\$23,914
Special Revenue	254,678	282,973	28,295
Permanent	0	5	5
Total	\$306,294	\$358,508	\$52,214

**WARREN TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,192	\$87,088	(\$5,896)
Special Revenue	388,366	282,563	105,803
Total	\$469,558	\$369,651	\$99,907

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund by \$5,896 for the year ended December 31, 2014. Also contrary to Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources in the Gasoline Tax Fund by \$25,770 for the year ended December 31, 2014. Also contrary to Ohio Rev. Code § 5705.10(I), the Township charged expenditures related to roads to the Fire Levy Fund instead of the Road and Bridge Fund in the amount of \$1,906 and \$4,391 during 2015 and 2014, respectively.

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, 2015, was as follows:

	Principal	Interest Rate
Truck-Promissory Note	\$12,067	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
2016	\$11,888
2017	389
Total	\$12,277

**WARREN TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

**WARREN TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$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>2015</u>	<u>2014</u>
\$4,890	\$4,832

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

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
400 Pultney Avenue
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 the cash balances, receipts, and disbursements by fund type of Warren Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001, 2015-005, and 2015-006 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.

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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 2015-001 through 2015-004.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

October 28, 2016

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used for the purpose for which it was established.

The Township charged \$1,906 of road equipment parts and repair costs to the Fire Levy Fund in 2015. These charges should have been posted to the Road and Bridge Fund.

The Township charged \$4,391 of diesel fuel costs related to road maintenance to the Fire Levy Fund in 2014. These charges should have been posted to the Road and Bridge Fund.

Adjustments have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

The Township should post all road maintenance costs to an appropriate fund.

FINDING NUMBER 2015-002

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 2015 and 2014, the Township made principal payments on an outstanding promissory note in the amount of \$15,573 and \$16,910, respectively. 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 a 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.

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

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also requires the Township to obtain a County Auditor's Certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2014, we noted the following fund had appropriations plus carryover encumbrances in excess of estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
Gasoline Tax	\$107,968	\$133,738	(\$25,770)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative fund balances.

The Fiscal Officer should ensure that the total appropriations for each fund are within the estimated resources for each fund to avoid possible deficit spending.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

At December 31, 2014, expenditures exceeded appropriations in the following fund:

Fund	Appropriation Authority	Budgetary Basis Expenditures	Variance
General	\$81,192	\$87,088	(\$5,896)

The Township should regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the Township's budgetary process.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-005

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 2016) provides suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.167 requires amounts that are "required to be retained in perpetuity" to be classified as "nonexpendable" within the restricted net position category. For fund balance reporting purposes, however, those amounts should be classified as nonspendable rather than restricted. GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 requires funds that have a negative balance to be reported as Unassigned regardless of their classification, or purpose, when having positive fund balances.

The Township did not always record fund balance into accurate classifications.

The following financial statement error was noted for the year ended December 31, 2015:

- The Cemetery Endowment Fund balance in the amount of \$1,077 was improperly classified as Restricted, but should have been classified as Nonspendable and Committed in the amounts of \$1,064 and \$13, respectively.

The following financial statement errors were noted for the year ended December 31, 2014:

- A portion of the General Fund balance in the amount of \$19,496 was improperly classified as Unassigned, but should have been classified as Assigned.
- The Motor Vehicle License Tax Fund balance in the amount of \$5,577 was improperly classified as Committed, but should have been classified as Restricted.
- The Permissive Motor Vehicle License Tax Fund balance in the amount of \$12,329 was improperly classified as Assigned, but should have been classified as Restricted.
- The Cemetery Endowment Fund balance in the amount of \$1,075 was improperly classified as Restricted, but should have been classified as Nonspendable and Committed in the amounts of \$1,064 and \$11, respectively.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-005 (Continued)

Material Weakness (Continued)

The Township has agreed to the fund balance reclassifications and are reflected in the accompanying financial statements.

Also, the following financial statement errors were noted for the year ended December 31, 2015:

- A portion of the General Fund balance in the amount of \$1,103 was improperly classified as Unassigned, but should have been classified as Assigned.
- The Motor Vehicle License Tax Fund balance in the amount of \$8,193 was improperly classified as Committed, but should have been classified as Restricted.
- The Permissive Motor Vehicle License Tax Fund balance in the amount of \$4,565 was improperly classified as Committed, but should have been classified as Restricted.

The Township has agreed to the fund balance reclassifications, however, are not reflected in the accompanying financial statements as they are not deemed significant.

The Township should utilize available authoritative resources to appropriately reflect the cash balance in accordance with GASB Statement No. 54 reporting requirements. The Township Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance.

FINDING NUMBER 2015-006

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 2016) 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). 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.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

**FINDING NUMBER 2015-006
(Continued)**

Material Weakness (Continued)

The following financial statement errors were noted during 2015:

- For the General Fund, real estate tax receipts were not recorded at the gross amount thus understating Property and Local Taxes receipts and General Government expenditures (i.e., County Auditor and Treasurer fees) in the amount of \$9,730.
- Debt payments in the amount of \$16,200 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 \$15,573 and \$627, respectively.

The following financial statement errors were noted during 2014:

- For the General Fund, real estate tax receipts were not recorded at the gross amount thus understating Property and Local Taxes receipts and General Government expenditures (i.e., County Auditor and Treasurer fees) in the amount of \$12,907.
- Debt payments in the amount of \$18,000 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 \$16,910 and \$1,090, respectively.

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

Also, the following financial statement errors were noted during 2015:

- An insurance expenditure in the General Fund in the amount of \$455 was improperly posted as Public Works, but should have been posted as General Government.
- Homestead and Rollback receipts in the General, Road and Bridge and Fire Levy Funds in the amounts of \$1,813, \$9,286 \$1,074, respectively were improperly posted as Taxes, but should have been posted as Intergovernmental.
- Trailer tax receipts posted to the General Fund in the amount of \$913 should have been posted to the Road and Bridge and Fire Levy Funds in the amounts of \$817 and \$96, respectively.
- For the General Fund, estate tax receipts were not recorded at the gross amount thus understating Intergovernmental receipts and General Government expenditures (i.e., County Auditor and Treasurer fees) in the amount of \$1,378.
- For the Road & Bridge and Fire Levy Funds, real estate tax receipts were not recorded at the gross amount thus understating Property and Local Taxes receipts and General Government expenditures (i.e., County Auditor and Treasurer fees) in the amount of \$1,241 and \$146, respectively.
- A receipt from the Belmont County Port Authority in the amount of \$540 in the Road and Bridge Fund was posted to Other Financing Sources, but should have been posted to Intergovernmental.

Also, the following financial statement errors were noted during 2014:

- An expenditure in the amount of \$639 in the General Fund was improperly posted to Public Works, but should have been posted to General Government.

**WARREN TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

**FINDING NUMBER 2015-006
(Continued)**

Material Weakness (Continued)

- Homestead and Rollback receipts in the General, Road and Bridge and Fire Levy Funds in the amounts of \$1,800, \$9,018 \$1,044, respectively were improperly posted as Taxes, but should have been posted as Intergovernmental.
- Trailer tax receipts posted to the General Fund in the amount of \$228 should have been posted to the Road and Bridge and Fire Levy Funds in the amounts of \$204 and \$24, respectively.
- A Bureau of Worker's Compensation receipt in the General Fund in the amount of \$1,253 was improperly posted as Intergovernmental and should have been posted as Miscellaneous.
- For the Road & Bridge and Fire Levy Funds, real estate tax receipts were not recorded at the gross amount thus understating Property and Local Taxes receipts and General Government expenditures (i.e., County Auditor and Treasurer fees) in the amount of \$2,791 and \$328, respectively.

The adjustments, with which the Township officials' agree, are not reflected within the accompanying financial statements as they are not deemed significant.

The Township should 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, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Chapter 133 regarding improper debt.	No	Not Corrected; Repeated as Finding 2015-002.
2013-002	Ohio Rev. Code § 5705.10(C) regarding improper posting of receipts.	No	Partially Corrected; See Finding 2015-001.
2013-003	Material weakness for improper posting of receipts, disbursements, and fund balance in the correct classification.	No	Not Corrected; Repeated as Finding 2015-005 and Finding 2015-006.

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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
NOVEMBER 17, 2016**