



Mary Taylor, CPA
Auditor of State

WARREN TOWNSHIP
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	24

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Mary Taylor, CPA

Auditor of State

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

To the Board of Trustees:

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 2, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Warren Township, Belmont 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.

During 2006, the Township improperly posted rollback and homestead money and personal property tax reimbursement money in the amount of \$5,341 to the General Fund that should have been posted to the Road and Bridge Fund, Special Revenue Fund type in the amount of \$4,872 and to the Fire Levy Fund, Special Revenue Fund type in the amount of \$469. Had these posting errors been properly posted to the financial statements and the Township's accounting system, the 2006 General Fund's revenues would have decreased by \$5,341 and the December 31, 2006 cash fund balance would have decreased by \$5,341 and the 2006 Special Revenue Fund's revenues would have increased by \$5,341 and the December 31, 2006 cash fund balance would have been increased by \$5,341.

During 2007, the Township improperly posted rollback and homestead money in the amount of \$6,232 to the Gasoline Tax Fund, Special Revenue fund type that should have been posted to the General Fund in the amount of \$2,336, to the Road and Bridge Fund, Special Revenue Fund type in the amount of \$3,098 and to the Fire Levy Fund, Special Revenue Fund in the amount of \$798. Had these posting errors been properly posted to the financial statements and the Township's accounting system, the 2007 Special Revenue Fund's revenues would have decreased by \$2,336 and the December 31, 2007 cash fund balance would have increased by a cumulative \$3,005 and the 2007 General Fund's revenues would have increased by \$2,336 and the December 31, 2007 cash fund balance would have been decreased by a cumulative \$3,005.

Also, in our opinion, because of the effects of the matter disclosed 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 all material respects, the combined fund cash balances of Warren Township, Belmont 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.

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 February 2, 2009, 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

February 2, 2009

**WARREN TOWNSHIP
BELMONT 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>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$16,447	\$81,992		\$98,439
Intergovernmental	96,148	148,629		244,777
Earnings on Investments	1,497	42		1,539
Miscellaneous	411	480		891
Total Cash Receipts	<u>114,503</u>	<u>231,143</u>	<u>\$0</u>	<u>345,646</u>
Cash Disbursements:				
Current:				
General Government	68,253			68,253
Public Safety	8,495	13,062		21,557
Public Works	36,838	171,731		208,569
Health	6,351			6,351
Debt Service:				
Redemption of Principal	5,269		5,168	10,437
Interest and Other Fiscal Charges	784		886	1,670
Total Cash Disbursements	<u>125,990</u>	<u>184,793</u>	<u>6,054</u>	<u>316,837</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(11,487)</u>	<u>46,350</u>	<u>(6,054)</u>	<u>28,809</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	344			344
Transfers-Out		(344)		(344)
Other Financing Sources	951			951
Other Financing Uses	(373)			(373)
Total Other Financing Receipts / (Disbursements)	<u>922</u>	<u>(344)</u>	<u>0</u>	<u>578</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(10,565)	46,006	(6,054)	29,387
Fund Cash Balances, January 1	<u>77,167</u>	<u>65,084</u>	<u>6,207</u>	<u>148,458</u>
Fund Cash Balances, December 31	<u>\$66,602</u>	<u>\$111,090</u>	<u>\$153</u>	<u>\$177,845</u>

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

**WARREN TOWNSHIP
BELMONT 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>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$16,827	\$78,924		\$95,751
Intergovernmental	95,546	111,593		207,139
Earnings on Investments	5,166	25		5,191
Miscellaneous	273			273
				<hr/>
Total Cash Receipts	117,812	190,542	\$0	308,354
				<hr/>
Cash Disbursements:				
Current:				
General Government	70,957			70,957
Public Safety	1,645	857		2,502
Public Works	11,739	199,478		211,217
Health	7,881			7,881
Debt Service:				
Redemption of Principal	5,741		3,365	9,106
Interest and Other Fiscal Charges	1,321		670	1,991
				<hr/>
Total Cash Disbursements	99,284	200,335	4,035	303,654
				<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	18,528	(9,793)	(4,035)	4,700
				<hr/>
Fund Cash Balances, January 1	58,639	74,877	10,242	143,758
				<hr/>
Fund Cash Balances, December 31	<u>\$77,167</u>	<u>\$65,084</u>	<u>\$6,207</u>	<u>\$148,458</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, 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, 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 Barnesville Volunteer Fire Department to provide fire and emergency services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) 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. Cash

The Township values certificates of deposit at cost.

D. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**WARREN TOWNSHIP
BELMONT 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)

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

Miscellaneous Special Revenue Fund - This fund received money from the federal and state agencies to provide flood damage relief.

3. Debt Service Fund

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Note Retirement Fund – This fund is used to pay principal and interest on the Township's notes.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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.

**WARREN TOWNSHIP
BELMONT COUNTY**

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

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

	2007	2006
Demand deposits	\$129,404	\$101,743
Certificates of deposit	48,441	46,715
Total deposits	\$177,845	\$148,458

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

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	\$151,266	\$115,798	(\$35,468)
Special Revenue	251,509	231,143	(20,366)
Debt Service	0	0	0
Total	\$402,775	\$346,941	(\$55,834)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,026	\$126,363	\$23,663
Special Revenue	227,216	185,137	42,079
Debt Service	6,201	6,054	147
Total	\$383,443	\$317,554	\$65,889

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$136,346	\$117,812	(\$18,534)
Special Revenue	273,627	190,542	(83,085)
Debt Service	0	0	0
Total	\$409,973	\$308,354	(\$101,619)

**WARREN TOWNSHIP
BELMONT COUNTY**

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

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,585	\$99,284	\$39,301
Special Revenue	220,205	200,335	19,870
Debt Service	0	4,035	(4,035)
Total	\$358,790	\$303,654	\$55,136

- Contrary to Ohio law, expenditures exceeded appropriations during 2006 and 2007.
- Contrary to Ohio law, appropriations exceeded estimated revenue in all funds during 2006.
- Contrary to Ohio law, the fiscal officer did not consistently obtain prior certification during 2006 and 2007.
- Contrary to Ohio law, the Township did not approve 2007 permanent appropriations timely.
- Contrary to Ohio law, the Township did not file the 2007 certification of year-end fund balances timely.

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:

	Principal	Interest Rate
General Obligation Notes	\$29,397	4.69%
Total	\$29,397	

The Township issued general obligation bonds to finance the purchase of a new backhoe for Township road maintenance. The Township's taxing authority collateralized the bonds.

**WARREN TOWNSHIP
BELMONT COUNTY**

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

5. Debt (Continued)

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

Year ending December 31:	Promissory Note
2008	\$12,106
2009	12,106
2010	7,062
Total	\$31,274

6. Retirement System

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.70%, 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.

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.

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.

**WARREN TOWNSHIP
BELMONT COUNTY**

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

7. Risk Management (Continued)

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.

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

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 \$4,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

WARREN TOWNSHIP
BELMONT COUNTY

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

7. Risk Management (Continued)

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>	
2005	\$5,229
2006	\$5,399
2007	\$4,702

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.

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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
Belmont County
P.O. Box 2
400 Pultney Avenue
Barnesville, Ohio 43713

To the Township Board of Trustees:

We have audited the financial statements of Warren Township, Belmont County, Ohio (the Township), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated February 2, 2009, wherein we qualified our report on the 2007 and 2006 regulatory financial statements due to certain misstatements of revenue in the financial statements. Also, 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Section 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: 2007-001, 2007-007, 2007-008 and 2007-009.

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 number 2007-001 is a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated February 2, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-007.

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 February 2, 2009.

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



Mary Taylor, CPA
Auditor of State

February 2, 2009

**WARREN TOWNSHIP
BELMONT 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

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10(C) requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purposes.

During 2006, the Fiscal Officer incorrectly posted rollback and homestead monies and personal property tax reimbursement monies in the amount of \$5,341 to the General Fund instead of to the Road and Bridge Fund, Special Revenue Fund type in the amount of \$4,872 and to the Fire Levy Fund, Special Revenue Fund in the amount of \$469.

During 2007, the Fiscal Officer incorrectly posted rollback and homestead monies in the amount of \$6,232 to the Gasoline Tax Fund, Special Revenue Fund type instead of to the General Fund in the amount of \$2,336, to the Road and Bridge Fund, Special Revenue Fund type in the amount of \$3,098 and to the Fire Levy Fund, Special Revenue fund type in the amount of \$798.

A finding for adjustment is hereby issued against the Gasoline Tax Fund, Special Revenue Fund type in the amount of \$6,232 and the General Fund in the amount of \$3,005 and in favor of the Road and Bridge Fund, Special Revenue Fund type in the amount of \$7,970 and the Fire Levy Fund, Special Revenue Fund type in the amount of \$1,267.

We recommend the Fiscal Officer review revenue postings for accuracy. The Fiscal Officer should review Uniform Accounting Network—Accounting Manual Appendix A, Township Chart of Accounts for appropriate revenue code descriptions.

FINDING NUMBER 2007-002

Noncompliance Citation

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

During 2007, we noted the Fire Levy Fund had expenditures which exceeded appropriations in 2007 by \$4,862 and the Miscellaneous Special Revenue Fund had expenditures which exceeded appropriations by \$2,000. In 2006, the Gasoline Tax Fund had expenditures which exceed appropriations by \$9,538 and the Debt Service Fund had expenditures which exceeded appropriations by \$4,035.

The Fiscal Officer did not consistently require the certification of purchase orders before the Township incurred an obligation. The Fiscal Officer's failure to properly certify the availability of funds can result in budgetary overspending.

We recommend the Fiscal Officer require prior certification of a purchase order before the Township incurs an obligation. The Fiscal Officer should compare expenditures to available appropriations before certifying a purchase order. The Fiscal Officer should deny requests for payment when appropriations are not available.

WARREN TOWNSHIP
BELMONT 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

Ohio Rev. Code Section 5705.39 prohibits total appropriations from each fund from exceeding the total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2006, appropriations exceeded the total amended official estimate of resources as follows:

<u>Fund Description</u>	<u>Variance</u>	<u>From</u>	<u>To</u>
General Fund	\$ 2,239	Original Resolution	12/31/2006

During 2007, the fiscal officer did not file the appropriation measure with the County Auditor until September 4, 2007. Therefore, the County Auditor did not issue the "Certificate That the Total Appropriations From Each Fund Do Not Exceed the Total Official Resources" until September 4, 2007. As a result, the Fiscal Officer made expenditures without legal authority for the period January 1, 2007 to September 4, 2007.

We recommend the Fiscal Officer file the Township appropriation measure approved by the Board of Trustees to the County Auditor in a timely manner.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

1. **"Then and Now" Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by resolution.

WARREN TOWNSHIP
BELMONT 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 2007-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** - Fiscal officers may prepare “blanket” certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. **Super Blanket Certificate** - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not obtain a prior certification for 43% of 2006 and 79% of 2007 transactions tested. We found no evidence of the Fiscal Officer using a “then and now” certificate. Although there was a purchase order for each transaction tested, the invoice date preceded the certification date of the purchase order. The Fiscal Officer’s failure to properly certify the availability of funds can result in overspending.

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

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**WARREN TOWNSHIP
BELMONT 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 2007-005

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Township did not pass a temporary appropriation measure but delayed the permanent appropriation measure until September 4, 2007. The Township did not file their 2007 appropriations with the County Auditor until September 4, 2007. The Fiscal Officer failed to submit the Certification of Fund Balances to County Auditor until August 2007, therefore the amended certificate of estimated resources was not certified by the County Budget Commission until late August 2007.

We recommend the Township ensure its annual appropriation resolution is passed on in a timely manner and file such appropriations with the County Auditor. If this is not possible, the Township should pass a temporary appropriation measure until the permanent appropriation measure is passed, not to exceed April 1 of the year.

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(1) provides that on or about the first day of each fiscal year, the fiscal officers of each subdivision and other taxing units shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. This certified amount shall include any unencumbered balances that existed at the end of the preceding year.

The Township did not file the Certificate of Total Amount From All Sources Available For Expenditure and Balances with the County Auditor until August 2007.

We recommend the Certificate of Total Amount From All Sources Available For Expenditure and Balances be filed with the County Auditor on or about the first day of each fiscal year.

FINDING NUMBER 2007-007

Noncompliance Citation/Significant Deficiency

Ohio Adm. 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 Section 117-2-03 of the Administrative Code.

**WARREN TOWNSHIP
BELMONT 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 2007-007 (Continued)

Noncompliance Citation/Significant Deficiency - Ohio Adm. Code Section 117-2-02(A) (Continued)

The Township did not have control procedures in place to ensure the accuracy of the Fiscal Officer's revenue and expenditure line account postings. Throughout the audit period, numerous receipts and expenditures in the amount of \$39,689 for the General Fund, in the amount of \$9,704 for Special Revenue Funds and in the amount of \$1,556 for Debt Service Funds, were not posted into accurate line item account classifications within the funds based on the source of the receipt or purpose of the expenditure.

As a result, multiple revenue and expenditure accounts were materially misstated due to mistakes in posting by the Fiscal Officer. These posting errors resulted in numerous reclassifications and adjustments being made to the financial statements to ensure accurate presentation of receipts and expenditures.

We recommend the Fiscal Officer review guidance within the Uniform Accounting Network Accounting Manual under the Township Chart of Accounts. This guidance will allow the Fiscal Officer to make proper postings to revenue and expenditure account classifications based on the source of the revenue or purpose of the expenditure. Someone independent of the Fiscal Officer, preferably a member of the Board of Trustees, should periodically review postings to the accounting system for accuracy.

FINDING NUMBER 2007-008

Significant Deficiency

The Fiscal Officer posted appropriation measures passed by the Board of Trustees to the Uniform Accounting Network appropriation ledger.

The Fiscal Officer posted budgetary amounts to the appropriation ledger that did not agree with the budgetary amounts passed by the Board of Trustees. The following table lists the differences:

**WARREN TOWNSHIP
BELMONT 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 2007-008 (Continued)

Significant Deficiency (Continued)

Fund	Appropriation Resolution	Amounts Posted to the Accounting System	Variance
<u>2007</u>			
General	\$ 150,026	\$ 159,123	\$ (9,097)
Gasoline Tax	96,335	102,000	(5,665)
Road & Bridge	86,150	90,900	(4,750)
Fire Levy	8,200	15,200	(7,000)
Miscellaneous Special Revenue	10,000	12,000	(2,000)
<u>2006</u>			
General	138,585	146,653	(8,068)
Motor Vehicle License Tax	26,160	27,300	(1,140)
Gasoline Tax	77,051	99,000	(21,949)
Fire Levy	6,000	6,100	(100)
Debt Service		4,050	(4,050)

The Fiscal Officer did not realize that legislative action was required to change appropriation amounts. The Fiscal Officer made adjustments to the appropriation amounts without the approval of the Board of Trustees. As a result, the budgetary note disclosure budgetary amounts had to be adjusted for 2007 and 2006.

We recommend the Fiscal Officer only post appropriations that have been passed by Board of Trustees.

FINDING NUMBER 2007-009

Significant Deficiency

The Fiscal Officer prepared the bank reconciliation each month and presented the bank reconciliation to the Board of Trustees at their monthly meeting for their approval.

The Fiscal Officer made numerous fund balance adjustments at December 31, 2007 to remove two old savings accounts from the Uniform Accounting System Investment Summary. In the process of making these fund balance adjustments, the Fiscal Officer reduced the Uniform Accounting System (UAN) system balance by \$950.94. Also, the December 31, 2007 bank reconciliation prepared by the fiscal officer erroneously carried the investment balance at \$48,440.61 instead of the \$49,391.55 confirmed by Wesbanco, a difference of \$950.94. Therefore, the book and bank amounts were off by the same \$950.94. The General Fund's December 31, 2007 cash fund balance was understated by \$950.94.

**WARREN TOWNSHIP
BELMONT COUNTY**

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

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

FINDING NUMBER 2007-009 (Continued)

Significant Deficiency (Continued)

We recommend the Fiscal Officer increase the investment summary by \$950.94 for a savings account (account #0251002388) held at Wesbanco. In addition, the General Fund should be increased by \$950.94 to account for the book being short by the amount of the savings account. The 2007 financial statements have been adjusted to reflect this depository. The Fiscal Officer made the adjustment to the General Fund during 2008.

WARREN TOWNSHIP
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(D)(1) – Not properly encumbering	No	Not Corrected – Repeated as Finding 2007-004



Mary Taylor, CPA
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
FEBRUARY 24, 2009