



Dave Yost • 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, 2011 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010 .....	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 .....	22

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# Dave Yost • Auditor of State

Warren Township  
Belmont County  
P.O. Box 2  
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 Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

September 28, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Warren Township  
Belmont County  
P.O. Box 2  
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, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

September 28, 2012

**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, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$22,016	\$125,042			\$147,058
Intergovernmental	59,123	121,322			180,445
Donations				\$2	2
Earnings on Investments	179	50		2	231
Miscellaneous	6				6
<i>Total Cash Receipts</i>	<u>81,324</u>	<u>246,414</u>	<u>\$0</u>	<u>4</u>	<u>327,742</u>
<b>Cash Disbursements</b>					
Current:					
General Government	69,070	1,629			70,699
Public Safety		7,475			7,475
Public Works	9,671	214,690			224,361
Human Services		218			218
Capital Outlay		38,000			38,000
Debt Service:					
Principal Retirement		5,567			5,567
Interest and Fiscal Charges		433			433
<i>Total Cash Disbursements</i>	<u>78,741</u>	<u>268,012</u>	<u>0</u>	<u>0</u>	<u>346,753</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,583</u>	<u>(21,598)</u>	<u>0</u>	<u>4</u>	<u>(19,011)</u>
<b>Other Financing Receipts:</b>					
Other Debt Proceeds		24,750			24,750
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>24,750</u>	<u>0</u>	<u>0</u>	<u>24,750</u>
<i>Net Change in Fund Cash Balances</i>	<u>2,583</u>	<u>3,152</u>	<u>0</u>	<u>4</u>	<u>5,739</u>
<i>Fund Cash Balances, January 1</i>	<u>54,178</u>	<u>103,415</u>	<u>153</u>	<u>1,060</u>	<u>158,806</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				1,064	1,064
Restricted		91,807	153		91,960
Committed		14,760			14,760
Unassigned	56,761				56,761
<i>Fund Cash Balances, December 31</i>	<u>\$56,761</u>	<u>\$106,567</u>	<u>\$153</u>	<u>\$1,064</u>	<u>\$164,545</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, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$21,128	\$137,248			\$158,376
Intergovernmental	50,348	118,119			168,467
Donations				\$100	100
Earnings on Investments	565	47		3	615
Miscellaneous	100				100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	72,141	255,414	\$0	103	327,658
<b>Cash Disbursements:</b>					
Current:					
General Government	64,235				64,235
Public Safety	5,240	10,004			15,244
Public Works	11,594	220,430			232,024
Health	4,268				4,268
Human Services		1,395			1,395
Capital Outlay		6,315			6,315
Debt Service:					
Redemption of Principal	7,931				7,931
Interest and Other Fiscal Charges	140				140
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	93,408	238,144	0	0	331,552
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(21,267)	17,270	0	103	(3,894)
<b>Other Financing Receipts:</b>					
Other Financing Sources	194				194
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	194	0	0	0	194
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(21,073)	17,270	0	103	(3,700)
Fund Cash Balances, January 1	75,251	86,145	153	957	162,506
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$54,178</b>	<b>\$103,415</b>	<b>\$153</b>	<b>\$1,060</b>	<b>\$158,806</b>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$1,135	\$3,179	\$0	\$0	\$4,314

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

**WARREN TOWNSHIP  
BELMONT COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Warren Township, Belmont County, Ohio (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 services and to provide ambulance services.

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

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

**B. Accounting Basis**

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

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

**C. Fund Accounting**

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

**1. General Fund**

The General Fund 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, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. 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.

**3. Debt Service Fund**

This fund accounts 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 has a balance from money that was used to pay principal and interest on a Township note.

**4. Permanent Fund**

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Savings Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are being accumulated for 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. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

WARREN TOWNSHIP  
BELMONT COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

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

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

E. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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.

**WARREN TOWNSHIP  
BELMONT COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**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.

**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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$111,313	\$105,664
Other time deposits (savings accounts)	53,232	53,142
Total deposits	<u>\$164,545</u>	<u>\$158,806</u>

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

**WARREN TOWNSHIP  
BELMONT COUNTY**

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

**3. Budgetary Activity**

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,532	\$81,324	\$13,792
Special Revenue	231,925	271,164	39,239
Permanent		4	4
Total	\$299,457	\$352,492	\$53,035

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$78,741	(\$78,741)
Special Revenue		268,012	(268,012)
Total	\$0	\$346,753	(\$346,753)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,348	\$72,335	\$5,987
Special Revenue	225,328	255,414	30,086
Permanent		103	103
Total	\$291,676	\$327,852	\$36,176

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$153,000	\$94,543	\$58,457
Special Revenue	301,800	241,323	60,477
Debt Service	150		150
Total	\$454,950	\$335,866	\$119,084

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Special Revenue Funds by \$78,741 and \$268,012, respectively, for the year ended December 31, 2011. This is a result of the Township Trustees not adopting an appropriation resolution for 2011.

**4. Property Tax**

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

**WARREN TOWNSHIP  
BELMONT COUNTY**

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

**4. Property Tax (Continued)**

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, 2011, was as follows:

	Principal	Interest Rate
Tractor Lease	\$19,433	3.19%

The Township issued into a lease agreement to finance the purchase of a new tractor for Township road maintenance. The lease is collateralized by the equipment and is being repaid from the Township's Road and Bridge Fund.

The Township had a promissory note outstanding of \$8,071, including interest of \$140, on December 31, 2009 to finance the purchase of a backhoe for road maintenance. The note was paid in full in 2010 and was paid from the Township's General Fund.

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

Year ending December 31:	Tractor Lease
2012	\$6,666
2013	6,666
2014	6,666
2015	427
Total	\$20,425

**6. Retirement Systems**

**Ohio Public Employees Retirement System**

The Township's employees and some 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 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**WARREN TOWNSHIP  
BELMONT COUNTY**

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

**6. Retirement Systems (Continued)**

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose Social Security or the Public Employees Retirement System. As of December 31, 2012, 1 Township Trustee has elected Social Security. The Township's liability is 6.2 percent of wages.

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

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, 2011 and 2010:

**WARREN TOWNSHIP  
BELMONT COUNTY**

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

**7. Risk Management (Continued)**

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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>2011</u>	<u>2010</u>
\$8,364	\$5,337

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.



# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Warren Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 28, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and for December 31, 2011, we also noted the Township has adopted Governmental Accounting Standards Board Statement No. 54. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-03 through 2011-06 to be significant deficiencies. 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 28, 2012.

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



**Dave Yost**  
Auditor of State

September 28, 2012

WARREN TOWNSHIP  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

**Noncompliance Citation**

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

The Township did not adopt appropriations for 2011. As a result, expenditures exceeded appropriations in all funds. (See Finding No. 2011-02)

During 2010, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2010:

	<u>Appropriation Resolution</u>	<u>Expenditures</u>	<u>Difference</u>
<b><u>Gasoline Tax Fund:</u></b>			
Public Works/Salaries	\$60,000	\$67,070	(\$7,070)
<b><u>Permissive Motor Vehicle License Tax Fund:</u></b>			
Public Works/Supplies and Materials	-	1,704	(1,704)

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2011-02

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38(A) states on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

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

**Noncompliance Citation – Ohio Rev. Code Section 5705.38(A) (Continued)**

The Township Trustees failed to pass temporary or permanent appropriations for 2011, as no appropriation resolution was noted in the minutes as approved by the Township Trustees and no appropriation resolution was filed with the County Auditor's Office.

We recommend the Township Trustees pass the appropriation resolutions on or about the first day of each year and document such approval in the minute record. The Fiscal Officer should then file the approved appropriation resolution with the County Auditor's Office. Otherwise, the Township should not expend any money until appropriations are passed. Alternately, the Township may pass a temporary appropriation measure to cover expenditures until the permanent appropriations are passed prior to April 1 of each year.

**FINDING NUMBER 2011-03**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 5705.10(D) provides, in part, 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, shall be paid into a special fund for such purpose.

The following revenue misclassification was noted during 2011:

- State homestead and rollback revenue in the amount of \$10,980 was posted entirely to the General Fund but should have been allocated to the General, Road and Bridge, and Fire Levy Funds in the amounts of \$1,599, \$8,350 and \$1,031, respectively.

The following revenue misclassification was noted during 2010:

- State homestead and rollback revenue in the amount of \$10,823 was posted entirely to the Road and Bridge Fund but should have been allocated to the General, Road and Bridge, and Fire Levy Funds in the amounts of \$1,568, \$8,238 and \$1,017, respectively.

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

We recommend the Fiscal Officer record homestead and rollback taxes in accordance with the semi-annual apportionment of taxes forms received from the County Auditor.

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-04**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 507.09(C) states, in part, a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

During 2011, the Township paid \$1,061 of the Fiscal Officers' salary from the Gasoline Tax Fund. The Fiscal Officer did not certify the amount of time spent providing services related to the Gasoline Tax Fund; therefore 100% of the Fiscal Officers' salary should be charged to the General Fund.

This adjustment, with which management agrees, has been posted to the Township's accounting records and is reflected within the accompanying financial statements.

We recommend the Township pay all of the Fiscal Officers' salary from the general fund. If the Fiscal Officer spends time providing services related to other funds, we recommend the Fiscal Officer certify the percentage of services justifying salary payments from funds other than the general fund. Auditor of State Bulletin 2011-007 should be referred to for further guidance on this matter.

**FINDING NUMBER 2011-05**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

During 2011, the Township paid \$2,830 and \$3,538 of the Trustees' salaries from the Gasoline Tax Fund and the Road and Bridge Fund, respectively. The Trustees did not certify the amount of time spent providing services related to the Gasoline Tax and Road and Bridge Funds; therefore 100% of the Trustees' salary should be charged to the General Fund.

This adjustment, with which management agrees, has been posted to the Township's accounting records and is reflected within the accompanying financial statements.

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-05 (Continued)**

**Noncompliance and Significant Deficiency - Ohio Rev. Code Section 505.24(C) (Continued)**

We recommend the Township pay all of the Trustees' salaries from the general fund. If the Trustees spend time providing services related to other funds, we recommend the Trustees certify the percentage of services justifying salary payments from funds other than the general fund. Auditor of State Bulletin 2011-007 should be referred to for further guidance on this matter.

**FINDING NUMBER 2011-06**

**Significant Deficiency**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not properly post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following table details the variances:

<b><u>2011</u> <u>Fund</u></b>	<b><u>UAN Revenue</u> <u>Status Report</u></b>	<b><u>Amended</u> <u>Certificates</u></b>	<b><u>Difference</u></b>
General	\$ 66,198	\$ 67,532	\$ 1,334
Gasoline Tax	86,000	87,000	1,000
<b><u>2010</u> <u>Fund</u></b>	<b><u>UAN Revenue</u> <u>Status Report</u></b>	<b><u>Amended</u> <u>Certificates</u></b>	<b><u>Difference</u></b>
General	\$ 20,373	\$ 66,348	\$ 45,975
Gasoline Tax	-	86,000	86,000
Permissive MVL Tax	-	1,928	1,928

Also, the Fiscal Officer did not properly post appropriations to the accounting system. Variances existed between the appropriation resolution and the amounts posted to the accounting system. The following table details these variances:

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**FINDING NUMBER 2011-06 (Continued)**

**Significant Deficiency (Continued)**

<b>2011</b>	<b>UAN Appropriation</b>	<b>Appropriation</b>	
<b><u>Fund</u></b>	<b><u>Status Report</u></b>	<b><u>Resolution</u></b>	<b><u>Difference</u></b>
General	\$ 123,451	\$ -	\$ (123,451)
Gasoline Tax	116,620	-	(116,620)
Permissive MVL Tax	12,000	-	(12,000)
<b>2010</b>	<b>UAN Appropriation</b>	<b>Appropriation</b>	
<b><u>Fund</u></b>	<b><u>Status Report</u></b>	<b><u>Resolution</u></b>	<b><u>Difference</u></b>
General	\$ 153,200	\$ 153,000	\$ (200)
Gasoline Tax	117,000	107,000	(10,000)
Permissive MVL Tax	1,928	-	(1,928)

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor and appropriations per the appropriation resolution.

We recommend the Fiscal Officer record only estimated receipts per the Official Certificate of Estimated Resources and appropriations approved by Board of Trustees. The Fiscal Officer should periodically present budget vs. actual results to the Trustees. As part of their monitoring responsibilities, the Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenue or appropriations.

**Officials' Response:** We did not receive a response from the Township for the findings above.

**WARREN TOWNSHIP  
BELMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Rev. Code Section 5705.10(D) - all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.	No	Not Corrected; Repeated as Finding No. 2011-03.
2009-002	Ohio Rev. Code Section 5705.10(H) - money paid into a fund shall be used only for the purposes for which said fund has been established.	No	Partially Corrected; Reissued in the management letter.
2009-003	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations.	No	Not Corrected; Repeated as Finding No. 2011-01.
2009-004	Ohio Rev. Code Section 5705.41(D)(1) – Not always obtaining prior certification of availability of funds prior to incurring obligations.	No	Partially Corrected; Reissued in the management letter.
2009-005	Significant Deficiency – Not posting estimated receipts and appropriations correctly to the accounting system.	No	Not Corrected; Repeated as Finding No. 2011-06.



# 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  
OCTOBER 23, 2012