



Dave Yost • Auditor of State



WARWICK TOWNSHIP  
TUSCARAWAS COUNTY

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# Dave Yost • Auditor of State

Warwick Township  
Tuscarawas County  
1289 Goshen Valley Road SE  
New Philadelphia, OH 44663

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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

November 16, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Warwick Township  
Tuscarawas County  
1289 Goshen Valley Road, SE  
New Philadelphia, Ohio 44663

To the Board of Trustees:

We have audited the accompanying financial statements of Warwick Township, Tuscarawas 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 requires 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.

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 where applicable 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 of Warwick Township, Tuscarawas, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Warwick Township, Tuscarawas County, Ohio 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 November 16, 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

November 16, 2012



**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$17,877	\$144,667		\$162,544
Intergovernmental	44,603	121,681	\$65,770	232,054
Earnings on Investments	81	10		91
Miscellaneous	3,298	38,438		41,736
<i>Total Cash Receipts</i>	<u>65,859</u>	<u>304,796</u>	<u>65,770</u>	<u>436,425</u>
<b>Cash Disbursements</b>				
Current:				
General Government	56,278			56,278
Public Safety		61,342		61,342
Public Works		168,287		168,287
Health	850			850
Conservation-Recreation	1,200			1,200
Capital Outlay		51,485	53,365	104,850
Debt Service:				
Principal Retirement	5,116	32,500		37,616
Interest and Fiscal Charges	2,384	2,017		4,401
<i>Total Cash Disbursements</i>	<u>65,828</u>	<u>315,631</u>	<u>53,365</u>	<u>434,824</u>
<i>Excess of Receipts Over Disbursements</i>	<u>31</u>	<u>(10,835)</u>	<u>12,405</u>	<u>1,601</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Uses	(2,191)	(8,017)	0	(10,208)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,191)</u>	<u>(8,017)</u>	<u>0</u>	<u>(10,208)</u>
<i>Net Change in Fund Cash Balances</i>	(2,160)	(18,852)	12,405	(8,607)
<i>Fund Cash Balances, January 1</i>	<u>68,792</u>	<u>144,183</u>	<u>36,543</u>	<u>249,518</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	125,331	26,087	151,418
Committed	0	0	22,861	22,861
Unassigned (Deficit)	66,632	0	0	66,632
<i>Fund Cash Balances, December 31</i>	<u>\$66,632</u>	<u>\$125,331</u>	<u>\$48,948</u>	<u>\$240,911</u>

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

**WARWICK TOWNSHIP  
TUSCARAWAS 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$17,161	\$108,919		\$126,080
Intergovernmental	76,040	119,601	\$57,682	253,323
Earnings on Investments	115	17		132
Miscellaneous	225	4,138	14,915	19,278
Total Cash Receipts	93,541	232,675	72,597	398,813
<b>Cash Disbursements:</b>				
Current:				
General Government	60,744			60,744
Public Safety		43,391		43,391
Public Works		165,974		165,974
Health	850			850
Conservation - Recreation	1,011			1,011
Capital Outlay		5,918	125,184	131,102
Debt Service:				
Redemption of Principal	7,500	32,403	17,915	57,818
Interest and Other Fiscal Charges		5,097		5,097
Total Cash Disbursements	70,105	252,783	143,099	465,987
Total Receipts Over/(Under) Disbursements	23,436	(20,108)	(70,502)	(67,174)
<b>Other Financing Receipts / (Disbursements):</b>				
Loan Proceeds			53,786	53,786
Advances-In	16,909		16,909	33,818
Advances-Out	(16,909)		(16,909)	(33,818)
Other Financing Uses	(3,453)	(6,247)		(9,700)
Total Other Financing Receipts / (Disbursements)	(3,453)	(6,247)	53,786	44,086
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	19,983	(26,355)	(16,716)	(23,088)
Fund Cash Balances, January 1	48,809	170,538	53,259	272,606
<b>Fund Cash Balances, December 31</b>	<b>\$68,792</b>	<b>\$144,183</b>	<b>\$36,543</b>	<b>\$249,518</b>
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**WARWICK TOWNSHIP  
TUSCARAWAS 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 the Warwick Township, Tuscarawas 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, fire protection and emergency medical services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for these entities. The organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool.

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. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

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

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

**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.

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

Motor Vehicle Licenses Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

Fire District Fund - This fund receives property tax money to provide fire protection services to the Township residents.

Fire Apparatus Fund - This fund receives property tax money to purchase fire equipment.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds

Issue I Fund (OPWC) - The Township received a grant from the State of Ohio for Township paving projects.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department and 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.

**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

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

**1. Summary of Significant Accounting Policies – (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 cancelled.

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

**F. Fund Balance**

For December 31, 2011, fund balance is divided into three 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. 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.

**2. 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.

**3. 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 and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. 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.

**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

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

**2. Equity In Pooled Deposits**

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

	2011	2010
Demand deposits	\$240,911	\$249,518

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

**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	\$64,384	\$65,859	\$1,475
Special Revenue	324,469	304,796	(19,673)
Capital Projects	12,405	65,770	53,365
Total	\$401,258	\$436,425	\$35,167

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,457	\$68,019	\$21,438
Special Revenue	403,960	323,648	80,312
Capital Projects	48,949	53,365	(4,416)
Total	\$542,366	\$445,032	\$97,334

**2010 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,308	\$93,541	\$30,233
Special Revenue	243,206	232,675	(10,531)
Capital Projects	152,115	126,383	(25,732)
Total	\$458,629	\$452,599	(\$6,030)

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,450	\$73,558	\$21,892
Special Revenue	330,250	259,030	71,220
Capital Projects	156,915	143,099	13,816
Total	\$582,615	\$475,687	\$106,928

**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

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

**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, 2011 was as follows:

	Principal	Interest Rate
USDA Fire Equipment Bonds	\$43,646	4.25%
Total	\$43,646	

**Debt Covenants: Section 6 of the Resolution Authorizing the Issuance and Sale of \$180,000 Fire Station Bonds and the Resolution Authorizing the Issuance and Sale of \$83,000 Fire Equipment Bonds**, state that for the payment of such bonds and the interest thereon, the full faith, credit and revenue of the Township are hereby irrevocably pledged, and for the purpose of providing the necessary funds to pay the interest on the bonds promptly when and as the same falls due, and also to provide a fund sufficient to discharge the bonds at maturity, there shall be and is hereby levied on all the taxable property in the Township within applicable limitations, in addition to all other taxes, a direct tax annually during the period the bonds are to run in an amount sufficient to provide funds to pay interest upon the bonds as and when the same falls due and also to provide a fund for the discharge of the principal of the bonds at maturity, which tax shall not be less than the interest and sinking fund tax required by Article XII, Section 11 of the Constitution of Ohio. Said tax shall be and is hereby ordered computed, certified, and levied and extended upon the tax duplicate and collected by the same officers, in the same manner and at the same time that taxes for general purposes for each of said years are certified, extended or collected. Said tax shall be placed before and in preference to all other items and for the full amount thereof. The funds derived from said tax levies hereby required shall be placed in a separate and distinct fund, which, together with all interest collected on the same, shall be irrevocably pledged for the payment of the interest on and the principal of the bonds when and as the same shall fall due; provided, that in each year to the extent that revenues from other sources are available for the payment of the bonds and are appropriated for such purpose, the amount of such tax shall be reduced by the amount of such revenues so available and appropriated.

**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

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

**5. Debt – (Continued)**

The fire equipment loan was issued in October 2009 for \$83,000. The loan will be paid off in annual payments of \$6,550 plus interest. The final payment will be for \$6,016 plus interest. The final payment will be made in October 2019. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Fire Equipment Bonds
2012	\$6,550
2013	6,549
2014	6,549
2015	6,550
2016	6,549
2017-2019	19,650
Total	<u>\$52,397</u>

**6. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 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.

**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.



**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

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

**7. Risk Management – (Continued)**

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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$10,120.

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>
\$13,158	\$11,177

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.

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# 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

Warwick Township  
Tuscarawas County  
1289 Goshen Valley Road SE  
New Philadelphia, OH 44663

To the Board of Trustees:

We have audited the financial statements of Warwick Township, Tuscarawas County, Ohio (the Township) as of and for the years ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated November 16, 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. 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. During 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-002 and 2011-003 described in the accompanying Schedule of Findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-001.

Also, we noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 16, 2012.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

November 16, 2012

**WARWICK TOWNSHIP  
TUSCARAWAS COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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1. **Section 6 of the Resolution Authorizing the Issuance and Sale of \$180,000 Fire Station Bonds and the Resolution Authorizing the Issuance and Sale of \$83,000 Fire Equipment Bonds.**

<i><b>Finding Number</b></i>	<b>2011-001</b>
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NONCOMPLIANCE

**Section 6 of the Resolution Authorizing the Issuance and Sale of \$180,000 Fire Station Bonds and the Resolution Authorizing the Issuance and Sale of \$83,000 Fire Equipment Bonds**, state that for the payment of such bonds and the interest thereon, the full faith, credit and revenue of the Township are hereby irrevocably pledged, and for the purpose of providing the necessary funds to pay the interest on the bonds promptly when and as the same falls due, and also to provide a fund sufficient to discharge the bonds at maturity, there shall be and is hereby levied on all the taxable property in the Township within applicable limitations, in addition to all other taxes, a direct tax annually during the period the bonds are to run in an amount sufficient to provide funds to pay interest upon the bonds as and when the same falls due and also to provide a fund for the discharge of the principal of the bonds at maturity, which tax shall not be less than the interest and sinking fund tax required by Article XII, Section 11 of the Constitution of Ohio. Said tax shall be and is hereby ordered computed, certified, and levied and extended upon the tax duplicate and collected by the same officers, in the same manner and at the same time that taxes for general purposes for each of said years are certified, extended or collected. Said tax shall be placed before and in preference to all other items and for the full amount thereof. The funds derived from said tax levies hereby required shall be placed in a separate and distinct fund, which, together with all interest collected on the same, shall be irrevocably pledged for the payment of the interest on and the principal of the bonds when and as the same shall fall due; provided, that in each year to the extent that revenues from other sources are available for the payment of the bonds and are appropriated for such purpose, the amount of such tax shall be reduced by the amount of such revenues so available and appropriated.

In 2002, the Township entered into a debt agreement with the United States Department of Agriculture and procured a \$180,000 loan for the construction of a new fire station. Also, in 2008, the Township entered into a debt agreement with the United States Department of Agriculture and procured a \$83,000 loan for fire equipment, including a tank component, generator and fuel tanks. During 2011, the Township retired USDA bonded debt principal and interest totaling \$7,500 from the General Fund and principal and interest totaling \$12,017 from the Gas Tax Fund. During 2010, the Township retired USDA bonded debt principal only totaling \$7,500 from the General Fund and principal only totaling \$12,500 from the Gas Tax Fund. While the Road & Bridge Fund was not used during 2011 or 2010 to make principal or interest payment, this fund was used in previous years. The debt agreements required the Township to create a Bond Retirement Fund to account for these levy proceeds and principal and interest payments. However, the Township did not adhere to this debt covenant requirement and are in violation of the debt agreements. AOS would normally issue a Finding for Adjustment to reclassify debt service principal and interest payments to the appropriate funds. However, AOS cannot reasonably determine the amount of debt service principal and interest payments attributable to the Gas Tax and other funds.

The Township should establish the required Bond Retirement Fund to account for debt service principal and interest payments. The Township should review its allocation for reasonableness and allowability, prepare documentation to support its allocation, and make the necessary adjustments to funds, if any. As part of this process, Township management should establish a reasonable method of allocating debt service and interest payments among funds. Such method might include an analysis of building square footage or other measurable indices to determine fair allocations to various allowable purpose funds on the basis of how the Township uses a building or piece of equipment. This will help ensure the Township complies with USDA debt covenants.

**Official's Response:** The property at issue is a multi-purpose building that contains the township's fire station and equipment, as well as road and maintenance facilities and related administrative offices. Upon reviewing the conclusions of the Auditor, the Board of Trustees and its Fiscal Officer obtained independent analysis from legal counsel. Based on three separate legal opinions and the lack of any similar findings in prior audits, the Board of Trustees concludes that the bonds were correctly paid and the loans were properly discharged. The funds used to retire the debt were legally available and properly utilized pursuant to their original purpose and Ohio law. Moving forward, the Board of Trustees will continue to promote accurate accounting and meet its debt obligations. The Board acknowledges the Auditor's recommendations and will ensure that if it is issuing and discharging bonds or otherwise assuming debt, any requisite Bond Retirement Fund will be established when required by law and the language of the applicable bond instruments.

**2. Financial Reporting**

<b><i>Finding Number</i></b>	<b>2011-002</b>
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MATERIAL WEAKNESS

As a result of the audit procedures performed, errors were noted in the financial statements that required proposed audit adjustments and reclassifications as follows:

Adjusted errors reflected in the financial statements:

- In 2011 and 2010, \$5,116 and \$7,500, respectively, of debt interest was inappropriately recorded as debt principal payments in the General Fund.
- In 2011, \$53,365 was received as an on-behalf payment from the Ohio Public Works Commission and not recorded as a receipt and expenditure in the Capital Projects Fund.
- In 2010, \$53,786 of loan proceeds was recorded as Intergovernmental Revenue rather than as Loan Proceeds in the Capital Projects Fund.
- In 2010, \$3,000 of interest was inappropriately recorded as principal payments in the Capital Projects Fund.

Sound financial reporting is the responsibility of the Fiscal Officer and Township Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Township Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review UAN to help ensure receipts and expenditures are posted to the proper fund and line item.

**Official's Response:** The on-behalf payment from Ohio Public Works in the amount of \$53,364.96 was not recorded as the project was not yet completed. A completion report was received from the Ohio Public Works Commission dated August 22, 2012 with the final payments acknowledged. This project will be reported in the 2012 financials.

The amount of \$53,786.01 was classified in the Capital Fund number 4902 and under code 511 (Federal Funds) as it was money received from the United States Department of Agriculture. The Fiscal Officer will solicit advice from UAN in the future to better classify infrequent transactions.

The Uniform Accounting Network system does not allow any prior year transactions to be reclassified.

**3. Estimated Resources and Posting Errors**

<b><i>Finding Number</i></b>	<b>2011-003</b>
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MATERIAL WEAKNESS

Although the Fiscal Officer posted the estimated resources to the Uniform Accounting Network (UAN) in 2011 and 2010, the estimated resources entered into the UAN system compared to the Final Amended Certificate of Estimated Resources were overstated by \$41,636 in 2011 and understated by \$102,694 in 2010. The Fiscal Officer posted beginning unencumbered balances to the UAN system in 2010; however, the unencumbered balance at January 1, 2010 was understated by \$25,429. As a result, the Trustees are not provided with accurate budget versus actual comparisons in order to properly monitor the Township's activity.

The Fiscal Officer should ensure estimated resources and unencumbered beginning balances are posted accurately to the UAN system in order to properly monitor the budget versus actual receipts. This will help provide accurate budget versus actual comparisons and allow Trustees to make informed financial decisions.

The financial statements have been adjusted accordingly.

**Official's Response:** The Fiscal Officer will obtain an amended certificate at year's end to more accurately reflect the estimated resources submitted to the County Auditor's Office.

WARWICK TOWNSHIP  
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Posting Estimated Receipts and Appropriations	No	Not Corrected, See Schedule of Finding 2011-003





# Dave Yost • Auditor of State

**WARWICK TOWNSHIP**

**TUSCARAWAS 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  
DECEMBER 11, 2012**