



Mary Taylor, CPA  
Auditor of State



WARREN TOWNSHIP  
BELMONT COUNTY

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Mary Taylor, CPA  
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 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

June 4, 2010

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# Mary Taylor, CPA

## 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, 2009 and 2008. 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.

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, 2009 and 2008 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, 2009 and 2008, 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 and reserves for encumbrances of Warren Township, Belmont County, Ohio, as of December 31, 2009 and 2008, 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 June 4, 2010, 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

June 4, 2010



**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, 2009**

	<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	\$19,041	\$47,077			\$66,118
Intergovernmental	91,840	124,125			215,965
Earnings on Investments	1,298	35		\$4	1,337
Miscellaneous	104	79			183
	<u>112,283</u>	<u>171,316</u>	<u>\$0</u>	<u>4</u>	<u>283,603</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	49,625				49,625
Public Safety	5,251	7,175			12,426
Public Works	12,849	177,518			190,367
Health	8,800				8,800
Debt Service:					
Redemption of Principal	10,507				10,507
Interest and Other Fiscal Charges	590				590
	<u>87,622</u>	<u>184,693</u>	<u>0</u>	<u>0</u>	<u>272,315</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>24,661</u>	<u>(13,377)</u>	<u>0</u>	<u>4</u>	<u>11,288</u>
Fund Cash Balances, January 1	<u>50,590</u>	<u>99,522</u>	<u>153</u>	<u>953</u>	<u>151,218</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$75,251</u></b>	<b><u>\$86,145</u></b>	<b><u>\$153</u></b>	<b><u>\$957</u></b>	<b><u>\$162,506</u></b>
Reserve for Encumbrances, December 31	<u>\$1,453</u>	<u>\$3,201</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,654</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, 2008**

	<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	\$18,422	\$80,039			\$98,461
Intergovernmental	85,792	125,862			211,654
Earnings on Investments	2,021	51		\$2	2,074
Miscellaneous	1,100				1,100
	<u>107,335</u>	<u>205,952</u>	<u>\$0</u>	<u>2</u>	<u>313,289</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	75,745				75,745
Public Safety	1,564	7,279			8,843
Public Works	25,175	180,777			205,952
Health	8,757				8,757
Human Services		28,513			28,513
Debt Service:					
Redemption of Principal	10,959				10,959
Interest and Other Fiscal Charges	1,147				1,147
	<u>123,347</u>	<u>216,569</u>	<u>0</u>	<u>0</u>	<u>339,916</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(16,012)</u>	<u>(10,617)</u>	<u>0</u>	<u>2</u>	<u>(26,627)</u>
Fund Cash Balances, January 1 - Restated See Note 2	<u>66,602</u>	<u>110,139</u>	<u>153</u>	<u>951</u>	<u>177,845</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$50,590</u></b>	<b><u>\$99,522</u></b>	<b><u>\$153</u></b>	<b><u>\$953</u></b>	<b><u>\$151,218</u></b>
Reserve for Encumbrances, December 31	<u>\$1,118</u>	<u>\$2,274</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,392</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, 2009 AND 2008**

**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 8 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.

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

**WARREN TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**C. Fund Accounting (Continued)**

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following 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 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.

**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. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

**WARREN TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**E. 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.

**F. 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. Prior Period Adjustment**

A prior audit adjustment reclassified the Township's Cemetery Savings Fund as a Special Revenue Fund. The Township did not post that adjustment to its accounting records and has continued to classify the Cemetery Savings Fund as a Permanent Fund on their accounting records. The Township does not have a copy of the original trust agreement but believes that only the interest can be spent based on prior history of this Fund. The following identifies the effect on the January 1, 2008 balance by fund type:

	Special Revenue Fund Type	Permanent Fund Type
Fund Cash Balances, December 31, 2007	\$111,090	\$0
Cemetery Savings Fund Classification	(951)	951
Adjusted Fund Cash Balances, January 1, 2008	\$110,139	\$951

**3. 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:

	2009	2008
Demand deposits	\$109,944	\$99,891
Certificates of deposit	51,605	50,374
Other time deposits (savings account)	957	953
Total deposits	\$162,506	\$151,218

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

**WARREN TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008, follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,660	\$112,283	\$35,623
Special Revenue	164,910	171,316	6,406
Permanent	0	4	4
Total	\$241,570	\$283,603	\$42,033

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,950	\$89,075	\$39,875
Special Revenue	251,970	187,894	64,076
Debt Service	150	0	150
Total	\$381,070	\$276,969	\$104,101

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,875	\$107,335	\$26,460
Special Revenue	186,806	205,952	19,146
Permanent	0	2	2
Total	\$267,681	\$313,289	\$45,608

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$140,200	\$124,465	\$15,735
Special Revenue	251,800	218,843	32,957
Debt Service	150	0	150
Total	\$392,150	\$343,308	\$48,842

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in several funds at the legal level of control for the years ended December 31, 2009 and 2008.

**5. 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, 2009 AND 2008  
(Continued)**

**5. 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.

**6. Debt**

Debt outstanding at December 31, 2009, was as follows:

	Principal	Interest Rate
Promissory Note	\$7,931	4.70%

The Township issued a promissory note in 2005 to finance the purchase of a new backhoe for road maintenance. The note is collateralized by the equipment and is being repaid from the Township's General Fund.

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

	Promissory Note
Year ending December 31: 2010	\$8,071

**7. 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. 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 2009 and 2008, 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, 2009.

**8. 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.

**WARREN TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

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. (APRCO), 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 APRCO. 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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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.



**WARREN TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Risk Management (Continued)**

**Risk Pool Membership (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.

<b><u>Contributions to OTARMA</u></b>	
2007	\$4,702
2008	\$4,962
2009	\$3,741

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.

**9. Contingent Liabilities**

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

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# 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  
Barnesville, Ohio 43713

To the Board of Trustees:

We have audited the financial statements of the Warren Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 4, 2010, wherein 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 § 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 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 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 2009-001, 2009-002, and 2009-005 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 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 4, 2010.

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.



**Mary Taylor, CPA**  
Auditor of State

June 4, 2010

**WARREN COUNTY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-001**

**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 misclassifications were noted during 2009:

- State homestead and rollback revenue in the amount of \$6,142 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 \$1,590, \$4,012 and \$540, respectively.
- State homestead and rollback revenue in the amount of \$6,138 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 \$1,589, \$4,009 and \$540, respectively.
- The Road and Bridge Fund's share of personal property tax reimbursements were posted to the Fire Levy Fund in the amount of \$292.

The following revenue misclassifications were noted during 2008:

- State homestead and rollback revenue in the amount of \$8,025 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 \$1,552, \$5,951 and \$522, respectively.
- State homestead and rollback revenue in the amount of \$8,016 was posted entirely to the Motor Vehicle License Tax Fund but should have been allocated to the General, Road and Bridge, and Fire Levy Funds in the amounts of \$1,550, \$5,944 and \$521, 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 post homestead and rollback tax and personal property tax reimbursements in accordance with the semi-annual apportionment of taxes forms received from the County Auditor.

**WARREN COUNTY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2009-002**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund shall be used only for the purposes for which said fund has been established. As the Fiscal Officer's duties are administrative in nature, the Fiscal Officer's salary and benefits should therefore be paid from the Township's General Fund.

During 2009, the Township paid \$2,122 and \$3,183 of the Fiscal Officer's salary from the Motor Vehicle License Tax Fund and the Road and Bridge Fund, respectively.

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 Officer's future salary and benefits from the Township's General Fund.

**FINDING NUMBER 2009-003**

**Noncompliance Citation**

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

During 2009, 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, 2009:

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-003 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>General Fund</u></b>			
General Government/Medicare	\$0	\$1,054	(\$1,054)
General Government/Office Supplies	0	232	(232)
General Government/Other Dues and Fees	0	200	(200)
General Government/Contributions to Other Organizations	0	150	(150)
General Government/Other Expenses	0	100	(100)
Public Safety/Payment to Another Political Subdivision	4,000	5,200	(1,200)
Public Works/Contracted Services	850	1,557	(707)
Public Works/Ohio Public Employees Retirement System	2,000	4,275	(2,275)
Public Works/Operating Supplies	0	92	(92)
Health/Payment to Another Political Subdivision	0	8,800	(8,800)
Debt Service/Note Principal Payment	0	10,507	(10,507)
Debt Service/Interest	0	590	(590)
<b><u>Motor Vehicle License Tax Fund</u></b>			
Public Works/Other Expenses	4,000	4,429	(429)
<b><u>Gasoline Tax Fund</u></b>			
Public Works/Salaries	56,000	68,909	(12,909)
<b><u>Road and Bridge Fund</u></b>			
Public Works/Tax Collection Fees	0	1,518	(1,518)
Public Works/Payment to Another Political Subdivision	0	1,701	(1,701)
Public Works/Operating Supplies	60,000	61,306	(1,306)
<b><u>Fire Levy Fund</u></b>			
Public Safety/Payment to Another Political Subdivision	6,500	7,175	(675)

During 2008, 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, 2008:

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-003 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)**

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b><u>General Fund</u></b>			
General Government/Salaries	\$25,000	\$25,448	(\$448)
General Government/Uniform Accounting Network Fees	0	1,704	(1,704)
General Government/Contracted Services	0	200	(200)
General Government/Other Utilities	200	3,320	(3,120)
Public Safety/Machinery, Equipment, and Furniture	0	317	(317)
Public Safety/Other Expenses	0	800	(800)
Public Works/Contracted Services	1,100	1,519	(419)
Public Works/Other Salaries	0	6,961	(6,961)
Public Works/Ohio Public Employees Retirement System	0	4,724	(4,724)
Public Works/Operating Supplies	2,000	10,821	(8,821)
Health/Payment to Another Political Subdivision	0	8,757	(8,757)
Debt Service/Note Principal Payment	0	10,959	(10,959)
Debt Service/Interest	0	1,147	(1,147)
<b><u>Gasoline Tax Fund</u></b>			
Public Works/Other Salaries	50,000	63,992	(13,992)
<b><u>Road and Bridge Fund</u></b>			
Public Works/Repairs and Maintenance	0	1,885	(1,885)
Public Works/Operating Supplies	55,000	60,522	(5,522)
<b><u>Fire Levy Fund</u></b>			
Public Safety/Payment to Another Political Subdivision	6,200	7,279	(1,079)

The Township's failure to limit expenditures to the amounts appropriated could result in deficit spending.

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.



**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

**Then and Now Certificate** - If the fiscal officer can certify that both at the time 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 encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township 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.

**Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates 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.

**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.

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-004 (Continued)**

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

Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 78% and 83% of transactions tested for 2009 and 2008, respectively, and there was no evidence of a "Then and Now" certificate being utilized. In addition, the Township Trustees did not establish by resolution an amount that blanket certificates could not exceed.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

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 funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring 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.

**FINDING NUMBER 2009-005**

**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 variance:

<u>Fund</u>	<u>12/31/2008</u>	<u>Budgeted Receipts per Amended Certificates</u>	<u>Budgeted Receipts per Accounting System</u>	<u>Variance</u>
Gasoline Tax		\$85,000	\$83,000	(\$2,000)

**WARREN TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-005 (Continued)**

**Significant Deficiency (Continued)**

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:

<u>12/31/2009</u>	<u>Approved</u>	<u>Appropriations per</u>	
<u>Fund</u>	<u>Appropriations</u>	<u>the Accounting System</u>	<u>Variance</u>
General	\$128,950	\$131,320	(\$2,370)
Motor Vehicle License Tax	36,440	40,719	(4,279)
Gasoline Tax	101,690	115,490	(13,800)
Road and Bridge	102,740	103,240	(500)

  

<u>12/31/2008</u>	<u>Approved</u>	<u>Appropriations per</u>	
<u>Fund</u>	<u>Appropriations</u>	<u>the Accounting System</u>	<u>Variance</u>
General	\$140,200	\$155,550	(\$15,350)
Gasoline Tax	99,000	116,000	(17,000)
Fire Levy	9,200	10,400	(1,200)

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 4 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, 2009 and 2008**

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>
2007-001	Ohio Rev. Code Section 5705.10(C) – Not always posting receipts to the proper funds.	No	Not Corrected; Repeated as Finding No. 2009-001.
2007-002	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations in several funds.	No	Not Corrected; Repeated as Finding No. 2009-003.
2007-003	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources in the General Fund.	Yes	N/A.
2007-004	Ohio Rev. Code Section 5705.41(D)(1) – Not always obtaining prior certification of availability of funds prior to incurring obligations.	No	Not Corrected; Repeated as Finding No. 2009-004.
2007-005	Ohio Rev. Code Section 5705.38(A)– Late filing of annual appropriations.	No	Not Corrected; Repeated in management letter.
2007-006	Ohio Rev. Code Section 5705.36(A)(1) - Late filing of Certificate of Total Amount from All Sources Available.	Yes	N/A.
2007-007	Ohio Admin. Code Section 117-2-02(A) –not always properly posting receipts and expenditures within the proper accounts.	No	Partially Corrected; Repeated in management letter.
2007-008	Significant Deficiency – Not posting approved appropriations correctly to the accounting system.	No	Not Corrected; Repeated as Finding No. 2009-005.
2007-009	Significant Deficiency – Errors made in monthly bank reconciliation process.	No	Partially Corrected; Repeated in management letter.



**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  
JULY 1, 2010**