



**Auditor of State
Betty Montgomery**

WARREN TOWNSHIP
JEFFERSON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Warren Township
Jefferson County
302 Walden Avenue
P.O. Box 42
Tiltonsville, Ohio 43963

To the Board of Trustees:

We have audited the accompanying financial statements of the Warren Township, Jefferson County, (the Township) as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As described Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Warren Township, Jefferson County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2004 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Audit Committee, board of trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2004

**WARREN TOWNSHIP
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Non-Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$15,416	\$71,684		\$87,100
Intergovernmental	39,073	66,890		105,963
Licenses, Permits, and Fees	40,820			40,820
Earnings on Investments	2,931			2,931
Other Revenue		1,400	\$1,000	2,400
Total Cash Receipts	<u>98,240</u>	<u>139,974</u>	<u>1,000</u>	<u>239,214</u>
Cash Disbursements:				
Current:				
General Government	69,172			69,172
Public Safety	5,300	21,756		27,056
Public Works	47,446	105,954		153,400
Health		488		488
Capital Outlay			6,900	6,900
Total Cash Disbursements	<u>121,918</u>	<u>128,198</u>	<u>6,900</u>	<u>257,016</u>
Total Receipts Over/(Under) Disbursements	<u>(23,678)</u>	<u>11,776</u>	<u>(5,900)</u>	<u>(17,802)</u>
Fund Cash Balances, January 1	<u>88,379</u>	<u>125,637</u>	<u>85,993</u>	<u>300,009</u>
Fund Cash Balances, December 31	<u>\$64,701</u>	<u>\$137,413</u>	<u>\$80,093</u>	<u>\$282,207</u>

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

**WARREN TOWNSHIP
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Non-Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$13,054	\$75,143		\$88,197
Intergovernmental	45,828	74,178		120,006
Licenses, Permits, and Fees	31,030			31,030
Earnings on Investments	4,587			4,587
Other Revenue		1,862		1,862
Total Cash Receipts	<u>94,499</u>	<u>151,183</u>		<u>245,682</u>
Cash Disbursements:				
Current:				
General Government	73,006			73,006
Public Safety	6,678	23,492		30,170
Public Works		97,327		97,327
Health	37,237	568		37,805
Conservation - Recreation	2,690			2,690
Capital Outlay		64,984		64,984
Total Cash Disbursements	<u>119,611</u>	<u>186,371</u>		<u>305,982</u>
Total Receipts Over/(Under) Disbursements	<u>(25,112)</u>	<u>(35,188)</u>		<u>(60,300)</u>
Fund Cash Balances, January 1	<u>113,491</u>	<u>160,825</u>	<u>\$85,993</u>	<u>360,309</u>
Fund Cash Balances, December 31	<u>\$88,379</u>	<u>\$125,637</u>	<u>\$85,993</u>	<u>\$300,009</u>

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

**WARREN TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Warren Township, Jefferson County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Tiltonsville, Yorkville, Rayland, Dillonvale, Mount Pleasant and Glen Robbins Volunteer Fire Departments to provide fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**WARREN TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Emergency Medical Services Fund - This fund receives property tax money to pay for emergency medical services.

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund - This fund was established by donations. The interest from this fund can be spent on the upkeep on the cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**WARREN TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$208,207	\$227,009
Certificates of deposit	74,000	73,000
Total deposits	\$282,207	\$300,009

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,729	\$98,240	\$60,511
Special Revenue	144,533	139,974	(4,559)
Fiduciary	6,000	1,000	(5,000)
Total	\$188,262	\$239,214	\$50,952

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,108	\$121,918	\$4,190
Special Revenue	270,170	128,198	141,972
Fiduciary	91,993	6,900	85,093
Total	\$488,271	\$257,016	\$231,255

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,935	\$94,499	(\$5,436)
Special Revenue	148,006	151,183	3,177
Fiduciary	4,000	0	(4,000)
Total	\$251,941	\$245,682	(\$6,259)

**WARREN TOWNSHIP
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$213,427	\$119,611	\$93,816
Special Revenue	308,831	186,371	122,460
Fiduciary	89,993	0	89,993
Total	\$612,251	\$305,982	\$306,269

4. PROPERTY TAX

Real property taxes become a lien on January 1 pre-ceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health insurance coverage to full-time employees through a private carrier.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Warren Township
Jefferson County
302 Walden Avenue
P.O. Box 42
Tiltonsville, Ohio 43963

To the Board of Trustees:

We have audited the financial statements of Warren Township, Jefferson County, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 28, 2004 wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 28, 2004.

Warren Township
Jefferson County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, Audit Committee, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2004

**WARREN TOWNSHIP
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Finding for Recovery – Overpayment of Compensation

Ohio Revised Code § 507.09 states that a Township Clerk shall be entitled to annual compensation of \$11,143 (if elected prior to December 8, 2000) when the Township’s budget is between \$250,001 and \$500,000. Elaine Hogan was elected as Clerk in November 1999 to a term beginning April 1, 2000 by the residents of Warren Township. For fiscal year 2003, Ms. Hogan was paid \$12,381. A recap of the overpayment follows:

2003 Salary paid	\$12,381.00
2003 Salary authorized	<u>11,143.00</u>
2003 overpayment	<u>\$ 1,238.00</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Elaine Hogan, Clerk and her surety company, American Motorists Insurance Company, jointly and severally, in the amount of \$1,238 and in favor of the General Fund of Warren Township.

FINDING NUMBER 2003-002

Finding for Recovery – Overpayment of Compensation

Ohio Revised Code § 505.24 states that a Township Trustee shall be entitled to annual compensation of \$7,428 (if elected prior to December 8, 2000) and \$7,524 (if elected after December 8, 2000) when the Township’s budget is between \$250,001 and \$500,000. Raymond D’Andrea was elected as Trustee in November 1999 to a term beginning January 1, 2000 by the residents of Warren Township. For fiscal year 2003, Mr. D’Andrea was paid \$7,878. Also, Carl Sgalla was elected as Trustee in November 2001 to a term beginning January 1, 2002 by the residents of Warren Township. For fiscal year 2003 year, Mr. Sgalla was paid \$7,980. Finally, Daniel Meeker was elected as Trustee in November 2001 to a term beginning January 1, 2002 by the residents of Warren Township. For fiscal year 2003, Mr. Meeker was paid \$7,980. A recap of the overpayments follows:

	Raymond D’Andrea	Carl Sgalla	Daniel Meeker
2003 Salary Paid	\$7,878.00	\$7,980.00	\$7,980.00
2003 Salary Authoized	<u>7,428.00</u>	<u>7,524.00</u>	<u>7,524.00</u>
2003 Overpayment	<u>\$450.00</u>	<u>\$456.00</u>	<u>\$456.00</u>

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Raymond D’Andrea, Trustee and his surety company, American Motorists Insurance Company, jointly and severally, in the amount of \$450 and in favor of the General, Motor Vehicle Licenses, Road and Bridge, and Road District Funds of Warren Township.

Also, In accordance with the fore going facts, and pursuant to the Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Carl Sgalla and his surety company, Lumbermen's Mutual Casualty, jointly and severally, in the amount of \$456. Lastly, a finding for recovery for public money illegally expended is hereby issued against Daniel Meeker and his surety company, Lumbermen's Mutual Casualty Company jointly and severally, in the amount of \$456. Both findings are in favor of the General, Motor Vehicle Licenses, Road and Bridge, and Road District Funds of Warren Township

FINDING NUMBER 2003-003

Ohio Revised Code § 5705.41 (D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account. This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003) the Fiscal officer without such affirmation of the taxing authority upon completion of the "Then and Now" certificate, provided that the expenditure is otherwise lawful.

The Township did not certify or record the amount against the applicable appropriation accounts for 13% of tested special revenue expenditures in 2002 and for 33% of tested special revenue expenditures and for 100% of tested non-expendable trust fund expenditures in 2003. The Township did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds could result in overspending and negative cash balances. The Township should obtain approved purchase orders which include the fiscal officers certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment.

WARREN TOWNSHIP
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-41241-001	ORC 5705.41 (D)	No	Not Corrected in this report - Finding 2003-003



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
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800-282-0370

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WARREN TOWNSHIP

JEFFERSON 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
AUGUST 5, 2004**