



**THORN TOWNSHIP
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

THORN TOWNSHIP
PERRY COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
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, 2000	3
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, 1999	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	14

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REPORT OF INDEPENDENT ACCOUNTANTS

Thorn Township
Perry County
11274 Bruno Road NW
Thornville, Ohio 43076

To the Board of Trustees:

We have audited the accompanying financial statements of Thorn Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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 generally accepted auditing standards 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in 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 Thorn Township, Perry County, as of December 31, 2000 and 1999, 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 April 20, 2001, 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 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 management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 20, 2001

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**THORN TOWNSHIP
PERRY 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, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$ 34,300	\$ 153,724	\$	\$ 188,024
Intergovernmental	70,360	83,703		154,063
Licenses, Permits, and Fees	7,242			7,242
Earnings on Investments	8,839	2,413	281	11,533
Other Revenue	3,548	7,595		11,143
Total Cash Receipts	<u>124,289</u>	<u>247,435</u>	<u>281</u>	<u>372,005</u>
Cash Disbursements:				
Current:				
General Government	57,151	21,343		78,494
Public Safety		52,376		52,376
Public Works	9,251	92,186		101,437
Health	1,610			1,610
Debt Service:				
Redemption of Principal	13,348	35,507		48,855
Interest and Fiscal Charges		12,048		12,048
Capital Outlay	7,348	14,902		22,250
Total Cash Disbursements	<u>88,708</u>	<u>228,362</u>	<u>0</u>	<u>317,070</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>35,581</u>	<u>19,073</u>	<u>281</u>	<u>54,935</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets		8,000		8,000
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>8,000</u>	<u>0</u>	<u>8,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	35,581	27,073	281	62,935
Fund Cash Balances, January 1	<u>126,075</u>	<u>139,509</u>	<u>6,681</u>	<u>272,265</u>
Fund Cash Balances, December 31	<u>\$ 161,656</u>	<u>\$ 166,582</u>	<u>\$ 6,962</u>	<u>\$ 335,200</u>

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

**THORN TOWNSHIP
PERRY 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, 1999**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$ 31,911	\$ 169,887	\$	\$ 201,798
Intergovernmental	86,112	87,646		173,758
Licenses, Permits, and Fees	3,585			3,585
Earnings on Investments	7,315	2,102	216	9,633
Other Revenue	3,907	5,433		9,340
Total Cash Receipts	<u>132,830</u>	<u>265,068</u>	<u>216</u>	<u>398,114</u>
Cash Disbursements:				
Current:				
General Government	60,786	23,300		84,086
Public Safety		48,528		48,528
Public Works	20,000	127,668		147,668
Health	1,446			1,446
Debt Service:				
Redemption of Principal	18,129	88,371		106,500
Interest and Fiscal Charges	432	3,000		3,432
Capital Outlay		19,026		19,026
Total Cash Disbursements	<u>100,793</u>	<u>309,893</u>	<u>0</u>	<u>410,686</u>
Total Cash Receipts Over/(Under) Cash Disbursements	32,037	(44,825)	216	(12,572)
Fund Cash Balances, January 1	<u>94,038</u>	<u>184,334</u>	<u>6,465</u>	<u>284,837</u>
Fund Cash Balances, December 31	<u>\$ 126,075</u>	<u>\$ 139,509</u>	<u>\$ 6,681</u>	<u>\$ 272,265</u>

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

**THORN TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Thorn Township, Perry 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 and a publicly-elected Township Clerk. The Township provides general governmental services, including maintenance of roads and cemeteries, fire protection and emergency medical service.

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

B. Basis of Accounting

The 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

Certificates of deposit are valued at cost. Interest earned is recognized and recorded when received.

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 Special Revenue Funds:

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

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

Road and Bridge Fund - This fund receives property tax money to maintain Township roads and bridges.

**THORN TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire District Fund - This fund receives property taxes to provide fire protection to Township residents.

Emergency Medical Service (EMS) Fund - This fund receives tax monies to provide emergency medical services to Township residents.

Federal Emergency Management Agency (FEMA) Fund - This fund receives money from the Federal Emergency Agency and Ohio Emergency Management Agency to provide flood relief to the Township.

3. Fiduciary Funds

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable Trust Funds. The Township had the following fiduciary funds:

Hanby Trust Fund - This fund is to account for monies bequeathed to the Township by the estate of F. Vernon Hanby, and the interest earned thereon, to be used for the development of a park on the six and one-half acres donated to the Township by Mr. Hanby. The Township is not required to maintain the corpus trust intact. Accordingly, the fund is classified as an Expendable Trust Fund.

U.B. Trust Fund - This fund accounts for monies restricted by a legally binding trust agreement. The agreement requires the Township to maintain the corpus of the trust, which is \$1,000. The interest may be used for the perpetual care of the Union Baptist Cemetery. Accordingly, this fund is classified as a Nonexpendable Trust Fund.

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 and function 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.

**THORN TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2000 and 1999 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.

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:

	<u>2000</u>	<u>1999</u>
Demand Deposits	\$ 329,200	\$ 266,265
Certificates of Deposit	6,000	6,000
Total Deposits	\$ 335,200	\$ 272,265

Deposits: Deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999, follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 78,321	\$ 124,289	\$ 45,968
Special Revenue	230,250	255,435	25,185
Fiduciary Funds	198	281	83
Total	\$ 308,769	\$ 380,005	\$ 71,236

**THORN TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 204,396	\$ 88,708	\$ 115,688
Special Revenue	369,759	228,636	141,123
Fiduciary Funds	878	0	878
Total	<u>\$ 575,033</u>	<u>\$ 317,344</u>	<u>\$ 257,689</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 68,760	\$ 132,830	\$ 64,070
Special Revenue	228,080	265,068	36,988
Fiduciary Funds	130	216	86
Total	<u>\$ 296,970</u>	<u>\$ 398,114</u>	<u>\$ 101,144</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 162,798	\$ 100,793	\$ 62,005
Special Revenue	412,414	309,983	102,431
Fiduciary Funds	595	0	595
Total	<u>\$ 575,807</u>	<u>\$ 410,776</u>	<u>\$ 165,031</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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.

Public utilities are also taxed on personal and real property located in 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.

**THORN TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest</u>
Emergency Squad Note	\$ 26,742	5.70%
Fire Truck Lease	160,029	5.35%
Utility Tractor/Loader Lease	35,092	6.90%
Total	\$ 221,863	

The emergency squad note was issued in 1997. It is collateralized by the equipment and repayment is backed by the full faith and credit of the Township. The fire truck was obtained in 1999. The lease is secured by the equipment and repayments will come from the Fire Fund. The utility tractor was obtained in 2000. The lease is secured by the equipment and repayments will come from the General Fund.

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

<u>Year ending December 31:</u>	<u>Emergency Squad</u>	<u>Utility Tractor</u>	<u>Fire Truck</u>
2001	\$ 14,895	\$ 13,348	\$ 31,882
2002	14,133	13,348	31,882
2003	0	13,348	31,882
2004	0	0	31,882
2005	0	0	31,882
2006	0	0	31,882
Total	\$ 29,028	\$40,044	\$ 191,292

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2000.

**THORN TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Accident/Sickness Coverage for Fire/EMS Personnel
- Life/Health/Prescription coverage for its full-time employee

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible. The following risks are covered by the Plan for the Township:

- Property
- Liability
- Wrongful Acts
- Automobile
- Inland Marine
- Fire Vehicles
- EDP

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



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

Thorn Township
Perry County
11274 Bruno Road NW
Thornville, Ohio 43076

To the Board of Trustees:

We have audited the accompanying financial statements of Thorn Township, Perry County, Ohio (the Township), as of and for the year ended December 31, 2000 and 1999, and have issued our report thereon dated April 20, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2000-41064-001.

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 of the 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 April 20, 2001.

Thorn Township
Perry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

April 20, 2001

THORN TOWNSHIP
PERRY COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-41064-001

Noncompliance Citation

Ohio Rev. Code Section 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 that the amount required to meet the same 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section provides two "exceptions" to the above requirement:

- 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 appropriated and free from any previous encumbrances, the Board of Trustees 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 one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

The prior certification of available funds was not always obtain. Funds were not properly encumbered at the time of commitment for 50% of the disbursements tested in 1999 and 26% of the disbursements tested in 2000.

We recommend the Township obtain the fiscal officer's certification of the availability of funds prior to a commitment being incurred.

**THORN TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-41064-001	A material noncompliance citation was issued in the prior audit under Ohio Rev. Code Section 5705.41(D) for failing to properly encumber funds prior to expenditure.	No	Not Corrected: This issue is repeated in the current audit as finding number 2000-41064-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

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THORN TOWNSHIP

PERRY 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
MAY 24, 2001**