



**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Worthington Township
Richland County
255 College Street
Butler, Ohio 44822

To the Board of Trustees:

We have audited the accompanying financial statements of Worthington Township, Richland 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 audits.

We conducted our audits 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 audits 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 audits provide 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 and reserves for encumbrances of the Township 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 February 16, 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 audits.

Worthington Township
Richland County
Report of Independent Accountants
Page 2

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

February 16, 2001

WORTHINGTON TOWNSHIP
RICHLAND COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$35,018	\$344,648	\$25,500	\$405,166
Intergovernmental	46,731	90,853		137,584
Earnings on Investments	2,792	1,186		3,978
Miscellaneous	490	22,055		22,545
Total Cash Receipts	85,031	458,742	25,500	569,273
Cash Disbursements:				
Current:				
General Government	79,447			79,447
Public Safety		52,143		52,143
Public Works		345,725		345,725
Health	3,000			3,000
Human Services		18,084		18,084
Conservation - Recreation		9,585		9,585
Debt Service:				
Redemption of Principal			21,000	21,000
Interest and Fiscal Charges			4,615	4,615
Capital Outlay		127,390		127,390
Total Cash Disbursements	82,447	552,927	25,615	660,989
Total Cash Receipts Over/(Under) Cash Disbursements	2,584	(94,185)	(115)	(91,716)
Other Financing Receipts:				
Proceeds of Loans		15,000		15,000
Sale of Fixed Assets		6,550		6,550
Other Sources	456			456
Total Other Financing Receipts	456	21,550	0	22,006
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	3,040	(72,635)	(115)	(69,710)
Fund Cash Balances, January 1	38,795	217,918	1,131	257,844
Fund Cash Balances, December 31	\$41,835	\$145,283	\$1,016	\$188,134
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

WORTHINGTON TOWNSHIP
RICHLAND COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$30,189	\$328,010	\$27,000	\$385,199
Intergovernmental	40,994	91,910		132,904
Earnings on Investments	2,599	1,332		3,931
Miscellaneous	682	20,484		21,166
Total Cash Receipts	<u>74,464</u>	<u>441,736</u>	<u>27,000</u>	<u>543,200</u>
Cash Disbursements:				
Current:				
General Government	86,417			86,417
Public Safety		176,383		176,383
Public Works		122,036		122,036
Health	2,000			2,000
Human Services		18,040		18,040
Conservation - Recreation		8,413		8,413
Debt Service:				
Redemption of Principal			21,000	21,000
Interest and Fiscal Charges			6,150	6,150
Capital Outlay		52,261		52,261
Total Cash Disbursements	<u>88,417</u>	<u>377,133</u>	<u>27,150</u>	<u>492,700</u>
Total Cash Receipts (Under)/Over Cash Disbursements	<u>(13,953)</u>	<u>64,603</u>	<u>(150)</u>	<u>50,500</u>
Other Financing Receipts:				
Other Sources	117			117
Excess of Cash Receipts and Other Financing Receipts (Under)/Over Cash Disbursements	(13,836)	64,603	(150)	50,617
Fund Cash Balances, January 1	52,631	153,315	1,281	207,227
Fund Cash Balances, December 31	<u>\$38,795</u>	<u>\$217,918</u>	<u>\$1,131</u>	<u>\$257,844</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Worthington Township, Richland County, Ohio, (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 general governmental services, which includes road maintenance, 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 cash 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

The Township has no investments. Cash consists of demand deposits

D. 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 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:

Fire District Fund - This fund receives property tax money for fire protection and emergency medical services provided to the Township.

Permissive Tax Fund - This fund receives County sales tax money for constructing, maintaining and repairing Township roads.

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

Debt Retirement Fund - This fund receives property taxes which are used for debt payments on the Township's bank loans.

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 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 capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

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

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$188,134</u>	<u>\$257,844</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 82,936	\$ 85,487	\$ 2,551
Special Revenue	428,953	480,292	51,339
Debt Service	<u>25,500</u>	<u>25,500</u>	<u>0</u>
Total	<u>\$ 537,389</u>	<u>\$ 591,279</u>	<u>\$ 53,890</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 121,730	\$ 82,447	\$ 39,283
Special Revenue	646,873	552,927	93,946
Debt Service	<u>26,631</u>	<u>25,615</u>	<u>1,016</u>
Total	<u>\$ 795,234</u>	<u>\$ 660,989</u>	<u>\$ 134,245</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 78,600	\$ 74,581	\$ (4,019)
Special Revenue	386,800	441,736	54,936
Debt Service	<u>27,000</u>	<u>27,000</u>	<u>0</u>
Total	<u>\$ 492,400</u>	<u>\$ 543,317</u>	<u>\$ 50,917</u>

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 131,231	\$ 88,417	\$ 42,814
Special Revenue	540,114	377,133	162,981
Debt Service	28,281	27,150	1,131
Total	\$ 699,626	\$ 492,700	\$ 206,926

! Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not certify the availability of funds for certain expenditures during 2000 and 1999.

! Contrary to Ohio Admin. Code Sections 117-3-05 and 117-3-11 (C), the Township did not use purchase orders nor the encumbrance method of accounting during 2000 and 1999.

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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Richland Trust Company Loan - 1997	\$ 42,000	7.25%
Richland Trust Company Loan - 2000	15,000	7.25%
Total	\$ 57,000	

On October 1, 1997, the Township obtained a loan of \$105,000 for the purpose of purchasing a fire truck. Payments are due October 1, and this loan will mature on October 1, 2002.

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

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

5. DEBT (Continued)

On June 10, 2000, the Township obtained a loan of \$15,000 for the purpose of purchasing a dump truck. The loan will mature on June 10, 2001.

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

Year Ending December 31:	Richland Trust Co. Loan 1997	Richland Trust Co. Loan 2000
2001	\$ 24,045	\$ 16,125
2002	<u>22,523</u>	<u>0</u>
Total	<u>\$ 46,568</u>	<u>\$ 16,125</u>

6. RETIREMENT SYSTEMS

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 post-retirement 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. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- Public official's liability
- Employers' liability
- Employee benefits liability

The Township also provides health insurance coverage to full-time employees through commercial carriers.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

Worthington Township
Richland County
255 College Street
Butler, Ohio 44822

To the Board of Trustees:

We have audited the accompanying financial statements of Worthington Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated February 16, 2001. We conducted our audits 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 audits 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 2000-40570-001 through 2000-40570-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 16, 2001.

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 a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 16, 2001.

Worthington Township
Richland 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

February 16, 2001

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40570-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - 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 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.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During the audit period, 100 percent of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance.

The Township should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such blanket certifications should only be used for recurring and reasonably predictable matters.

FINDING NUMBER 2000-40570-002

Noncompliance Citation

Ohio Admin. Code Section 117-3-11(C) requires that each encumbrance be charged and posted against an appropriation account reducing the unencumbered balance appropriated for the account. Failure to properly encumber funds could result in the Township over-expending its appropriations.

For both 2000 and 1999, the Township did not use the encumbrance method of accounting as required by this Section. However, no material unrecorded encumbrances were outstanding at December 31, 2000 and 1999.

We recommend that the Clerk post encumbrances to the Township's ledgers which will enable management to effectively monitor spending and assist the Township with budget management decisions.

FINDING NUMBER 2000-40570-003

Noncompliance Citation

Ohio Admin. Code Section 117-3-05 requires townships to use purchase orders. All purchase orders should contain the following information:

- A. All purchase orders should be numbered consecutively.
- B. Each purchase order is to be made out in triplicate. The original copy is to be filed with the township clerk to be used as a posting media to encumber the line-item appropriation and then filed in numerical sequence. The second copy is to be given to the vendor and the third copy is to be returned to the individual initiating the purchase order or requisition, as the case may be. This third copy will serve as a receiving report and be returned to the clerk once the item(s) are received and verified and will then be attached to the voucher along with the invoice.
- C. Each purchase order shall provide the following information:
 - 1) Purchase order number and the date;
 - 2) Requisition number, if applicable;
 - 3) Name of the township;
 - 4) Destination and method of shipment;
 - 5) Appropriation fund, code classification, and amount;
 - 6) Quantity, unit, description, and cost;
 - 7) When applicable, the name and title of the person authorizing the purchase order;
 - 8) When applicable, the clerk's certificate as provided pursuant to Ohio Rev. Code Section 5705.413 and Ohio Rev. Code Section 5705.41(D);
 - 9) When applicable pursuant to Ohio Rev. Code Section 5705.41, the name of the vendor;
- D. When a blanket certification has been authorized, the purchase order should indicate the blanket certification, the effective date of the certification, and the amount.

The Township did not use purchase orders in 2000 and 1999. This condition could cause the Township to incur commitments without certification of available funds. In addition, since purchase orders establish the terms of the purchase in advance with the vendor, their use would also help prevent misunderstandings with vendors on the terms of the purchase, including pricing and shipping terms.

We recommend that the Township use purchase orders which contain the information mentioned above prior to the date of commitment to purchase. This will enable management to effectively monitor spending and assist the Township with budget management decisions.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WORTHINGTON TOWNSHIP

RICHLAND 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
MARCH 27, 2001**