



**Auditor of State
Betty Montgomery**

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002 and 2001. 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. 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 the Township as of December 31, 2002 and 2001, 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 May 13, 2003, 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.

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

Betty Montgomery
Auditor of State

May 13, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$37,696	\$379,951	\$57,000	\$474,647
Intergovernmental	42,354	105,726		148,080
Earnings on Investments	1,540	1,063		2,603
Other Revenue	200	19,244		19,444
	<u>81,790</u>	<u>505,984</u>	<u>57,000</u>	<u>644,774</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	106,853			106,853
Public Safety		68,503		68,503
Public Works		289,969		289,969
Health	2,500			2,500
Human Services		19,973		19,973
Conservation - Recreation		10,821		10,821
Debt Service:				
Redemption of Principal		15,785	49,720	65,505
Interest and Fiscal Charges		2,203	6,902	9,105
Capital Outlay		76,295		76,295
	<u>109,353</u>	<u>483,549</u>	<u>56,622</u>	<u>649,524</u>
Total Cash Disbursements				
Total Receipts (Under)/Over Disbursements	<u>(27,563)</u>	<u>22,435</u>	<u>378</u>	<u>(4,750)</u>
Other Financing Receipts:				
Sale of Fixed Assets		4,000		4,000
Other Sources	869			869
	<u>869</u>	<u>4,000</u>	<u>0</u>	<u>4,869</u>
Total Other Financing Receipts				
Excess of Cash Receipts and Other Financing Receipts (Under)/Over Cash Disbursements	(26,694)	26,435	378	119
Fund Cash Balances, January 1	53,818	174,685	50	228,553
Fund Cash Balances, December 31	<u>\$27,124</u>	<u>\$201,120</u>	<u>\$428</u>	<u>\$228,672</u>

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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$37,405	\$354,896	\$40,000	\$432,301
Intergovernmental	65,592	88,364		153,956
Earnings on Investments	2,902	1,310		4,212
Other Revenue	450	4,632		5,082
	<u>106,349</u>	<u>449,202</u>	<u>40,000</u>	<u>595,551</u>
Cash Disbursements:				
Current:				
General Government	97,262			97,262
Public Safety		49,906		49,906
Public Works		298,687		298,687
Health	3,000			3,000
Human Services		19,337		19,337
Conservation - Recreation		9,735		9,735
Debt Service:				
Redemption of Principal		14,787	37,586	52,373
Interest and Fiscal Charges		3,201	3,380	6,581
Capital Outlay		154,137		154,137
	<u>100,262</u>	<u>549,790</u>	<u>40,966</u>	<u>691,018</u>
Total Receipts Over/(Under) Disbursements	<u>6,087</u>	<u>(100,588)</u>	<u>(966)</u>	<u>(95,467)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Debt:				
Sale of Bonds		129,990		129,990
Advances-In	5,000	5,000		10,000
Advances-Out	(5,000)	(5,000)		(10,000)
Other Sources	5,896			5,896
	<u>5,896</u>	<u>129,990</u>	<u>0</u>	<u>135,886</u>
Total Other Financing Receipts/(Disbursements)	<u>5,896</u>	<u>129,990</u>	<u>0</u>	<u>135,886</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,983	29,402	(966)	40,419
Fund Cash Balances, January 1	<u>41,835</u>	<u>145,283</u>	<u>1,016</u>	<u>188,134</u>
Fund Cash Balances, December 31	<u>\$53,818</u>	<u>\$174,685</u>	<u>\$50</u>	<u>\$228,553</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, 2002 AND 2001**

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 road and bridge maintenance, cemetery 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 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 and certificates of deposit which are valued at cost.

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 has 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 Sales 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, 2002 AND 2001
(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 bonds and note indebtedness. The Township has the following Debt Service Fund:

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

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 the appropriation measure 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 2002 and 2001 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as liabilities under the Township's basis of accounting.

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$28,672	\$228,553
Certificates of deposit	200,000	
Total deposits	\$228,672	\$228,553

Deposits are either 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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,545	\$82,659	\$4,114
Special Revenue	567,908	509,984	(57,924)
Debt Service	57,000	57,000	0
Total	\$703,453	\$649,643	(\$53,810)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,363	\$109,353	\$23,010
Special Revenue	625,157	483,549	141,608
Debt Service	57,050	56,622	428
Total	\$814,570	\$649,524	\$165,046

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,535	\$117,245	\$31,710
Special Revenue	527,637	584,192	56,555
Debt Service	41,016	40,000	(1,016)
Total	\$654,188	\$741,437	\$87,249

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,369	\$105,262	\$22,107
Special Revenue	672,920	554,790	118,130
Debt Service	41,016	40,966	50
Total	\$841,305	\$701,018	\$140,287

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify the availability of funds for certain expenditures during 2002 and 2001.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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, 2002, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$99,725	4.69%

The general obligation bonds were issued to finance the purchase of Fire Department equipment including a new ambulance and tanker chassis. The bonds are collateralized solely by the Township's taxing authority.

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Bonds
2003	\$36,023
2004	36,023
2005	36,023
Total	<u>\$108,069</u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2002 and 2001, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 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 coverage, 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 Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. CONTINGENT LIABILITIES

The Township is a defendant in a wrongful death lawsuit. Although the outcome of this lawsuit is not presently determinable, the Township intends to vigorously defend the case. Although a potential loss is also not presently determinable, due to the nature of the wrongful death claim, damages could exceed \$500,000.

9. LEASE

The Township entered into a capital lease with Case Credit in October 2000 for road equipment. The term of the lease is 36 months at an annual interest rate 6.75%. The Township is required to make annual payments of \$17,988.10 until the lease term expires in October 2003. Lease payments are reflected as "Debt Service: Redemption of Principal and Interest and Fiscal Charges" disbursements in the Special Revenue Fund Type on the Township's financial statements.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002 and 2001, and have issued our report thereon dated May 13, 2003. 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 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 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 13, 2003.

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 May 13, 2003.

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Worthington Township
Richland 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 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

May 13, 2003

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit 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 certificate shall be null and 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:

- a. 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.
- b. If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

During the audit period, all of the expenditures tested (100%) were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The Township should certify the availability of funds prior to incurring the obligation for expenditures. The Township should also implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**WORTHINGTON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40570-001	Ohio Rev. Code Section 5705.41(D) - Expenditures were not properly certified.	No	Not Corrected. See Finding Number 2002-001.
2000-40570-002	Ohio Admin. Code Section 117-3-11 (C) - Failure to properly encumber funds.	No	Finding No Longer Valid. This Ohio Admin. Code Section no longer applies to townships.
2000-40570-003	Ohio Admin. Code Section 117-3-05 – Failure to use purchase orders.	Yes	Finding No Longer Valid.



**Auditor of State
Betty Montgomery**

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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
JULY 15, 2003**