



**VERNON TOWNSHIP
SCIOTO COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VERNON TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Vernon Township
Scioto County
3992 Turkey Foot Road
Wheelersburg, Ohio 45694

To the Board of Trustees:

We have audited the accompanying financial statements of Vernon Township, Scioto County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 Vernon Township, Scioto County, Ohio, as of December 31, 1999 and 1998, 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 28, 2000 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.

This report is intended solely for the information and use of the management and 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

April 28, 2000

**VERNON TOWNSHIP
 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>	
Cash Receipts:			
Local Taxes	\$16,267	\$128,433	\$144,700
Intergovernmental	22,670	75,487	98,157
Licenses, Permits, and Fees		3,660	3,660
Earnings on Investments	1,781	1,729	3,510
Other Revenue	3,786	3,385	7,171
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	44,504	212,694	257,198
Cash Disbursements:			
Current:			
General Government	43,601		43,601
Public Safety		71,437	71,437
Public Works		87,874	87,874
Health		3,400	3,400
Debt Service:			
Note Principal Payment		32,623	32,623
Interest and Fiscal Charges		8,121	8,121
Capital Outlay		10,428	10,428
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	43,601	213,883	257,484
Total Receipts Over/(Under) Disbursements	903	(1,189)	(286)
Other Financing Receipts:			
Sale of Timber	0	14,100	14,100
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	0	14,100	14,100
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	903	12,911	13,814
Fund Cash Balances, January 1	34,701	76,463	111,164
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$35,604</u>	<u>\$89,374</u>	<u>\$124,978</u>

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

**VERNON TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$15,318	\$105,032	\$	\$120,350
Intergovernmental	19,186	87,338		106,524
License, Permits and Fees		75		75
Charges for Services		4,995		4,995
Earnings on Investments	1,874	2,409		4,283
Other Revenue	4,855	20,142		24,997
	<u>41,233</u>	<u>219,991</u>	<u>0</u>	<u>261,224</u>
Cash Disbursements:				
Current:				
General Government	28,848			28,848
Public Safety		86,337		86,337
Public Works		87,996		87,996
Health	60	2,773		2,833
Debt Service:				
Note Principal Payment		4,614	14,416	19,030
Interest and Fiscal Charges		76	757	833
Capital Outlay		15,371		15,371
	<u>28,908</u>	<u>197,167</u>	<u>15,173</u>	<u>241,248</u>
Total Receipts Over/(Under) Disbursements	<u>12,325</u>	<u>22,824</u>	<u>(15,173)</u>	<u>19,976</u>
Other Financing Receipts/(Disbursements):				
Transfers In			15,173	15,173
Transfers Out	0	(15,173)	0	(15,173)
	<u>0</u>	<u>(15,173)</u>	<u>15,173</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,325	7,651	0	19,976
Fund Cash Balances, January 1	<u>22,376</u>	<u>68,812</u>	<u>0</u>	<u>91,188</u>
Fund Cash Balances, December 31	<u>\$34,701</u>	<u>\$76,463</u>	<u>\$0</u>	<u>\$111,164</u>

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

**VERNON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Vernon Township, Scioto 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 general governmental services, including 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Cash is valued at cost. The Township had a repurchase account valued at fair value.

The Township maintains only one type of investment which is an overnight repurchase agreement with Fifth Third Bank. In this agreement, Township funds are withdrawn from the account and invested overnight in U.S. Treasury Notes. Interest on each investment is accrued and credited to each account daily. The amount of interest to be earned varies daily.

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:

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.

Special Revenue Fund

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:

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

VERNON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Fire Special Levy Fund - This fund receives property tax money from a special levy for fire prevention services.

Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment note indebtedness.

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 canceled, and need to be reappropriated.

A summary of 1999 and 1998 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.

VERNON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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>1999</u>	<u>1998</u>
Demand Deposits/Repurchase Agreement	<u>\$124,978</u>	<u>\$111,164</u>

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

Investments: The Township maintains an overnight sweep account. The financial institution maintains records identifying the securities pledged on the account.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 34,038	\$ 44,504	\$ 10,466
Special Revenue	<u>201,450</u>	<u>226,794</u>	<u>25,344</u>
Total	<u>\$ 235,488</u>	<u>\$ 271,298</u>	<u>\$ 35,810</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,850	\$ 43,601	\$ 16,249
Special Revenue	<u>284,301</u>	<u>213,883</u>	<u>70,418</u>
Total	<u>\$ 344,151</u>	<u>\$ 257,484</u>	<u>\$ 86,667</u>

**VERNON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,885	\$ 41,233	\$ 2,348
Special Revenue	200,864	219,991	19,127
Debt Service	0	15,173	15,173
Total	\$ 239,749	\$ 276,397	\$ 36,648

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 52,412	\$ 28,908	\$ 23,504
Special Revenue	265,668	212,340	53,328
Debt Service	19,913	15,173	4,740
Total	\$ 337,993	\$ 256,421	\$ 81,572

The Township did not encumber all funds prior to incurring the obligation and their expenditures exceeded their appropriations, contrary to Ohio law.

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 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.

**VERNON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Note	\$108,119	6.12%

The bank loan relates to the purchase of a fire truck. The note was issued in 1999 for an aggregate amount of \$131,460. The note will be paid in annual installments to principal and interest amounts listed in the bond amortization schedule until April 15, 2003.

<u>Year Ending December 31:</u>	<u>Note Bank Loan</u>
2000	\$ 31,386
2001	31,386
2002	31,386
2003	<u>31,386</u>
	<u>\$125,544</u>

6. RETIREMENT SYSTEMS

The Township officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plan. This plan provide 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 1999 and 1998, PERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- Vehicle
- Public Officials liability

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

Vernon Township
Scioto County
3992 Turkey Foot Road
Wheelersburg, Ohio 45694

To the Board of Trustees:

We have audited the accompanying financial statements of Vernon Township, Scioto County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 28, 2000. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40773-001 and 1999-40773-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 28, 2000.

This report is intended for the information and use of management and 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 28, 2000

**VERNON TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40773-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), provides 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 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 appropriated and free of any previous encumbrances. The Board may authorize the issuance of the 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 certificate 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 Board.

The Township Clerk did not certify the availability of funds for purchases made during 1998 and 1999.

We recommend the Township certify funds prior to incurring the obligation.

FINDING NUMBER 1999-40773-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in 1999 at year end in the following funds: Road and Bridge Fund by \$2,238, Fire Fund by \$11,236 and FEMA Fund by \$4,779.

We recommend the Trustees approve appropriations on or about the first day of the fiscal year and expenditures not be made until appropriations are effective. The Trustees should also monitor appropriations throughout the year.

**VERNON TOWNSHIP
CORRECTIVE ACTION PLAN
DECEMBER 31, 1999 AND 1998**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-40773-001	Clerk has made new purchase orders for several items and the Trustees have approved and signed them. Township will be making purchase orders and blanket certificates and have them approved by the Trustees in advance of incurring expenses.	May 31,2000	Sandra Belford, Clerk
1999-40773-002	Township will approve appropriations and keep the expenditures within those limits.	June 30, 2000	Sandra Belford

**VERNON TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1997-40773-001	Ohio Rev. Code Section 5705.39 states that total appropriations should not exceed total estimated revenue.	No	Partially Corrected. Variances were not significant in current year.
1997-40773-002	Ohio Rev. Code 5705.41 (B) states that total disbursements from a fund shall not exceed total appropriations.	No	Not corrected.



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VERNON TOWNSHIP

SCIOTO 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
JUNE 15, 2000**