



**Mary Taylor, CPA**  
Auditor of State



VERMILION TOWNSHIP  
ERIE COUNTY

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# Mary Taylor, CPA

Auditor of State

Vermilion Township  
Erie County  
1907 State Route 60, P.O. Box 83  
Vermilion, Ohio 44089-0083

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 13, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Vermilion Township  
Erie County  
1907 State Route 60, P.O. Box 83  
Vermilion, Ohio 44089-0083

To the Board of Trustees:

We have audited the accompanying financial statements of Vermilion Township, Erie County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Vermilion Township, Erie County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, the Township reclassified certain activity previously reported in agency funds as of January 1, 2005.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



**Mary Taylor, CPA**  
Auditor of State

July 13, 2007

**VERMILION TOWNSHIP  
ERIE 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, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$146,553	\$381,812			\$528,365
Intergovernmental	189,312	141,298	\$54,176		384,786
Licenses, Permits, and Fees	81,271	1,407		\$837	83,515
Fines, Forfeitures, and Penalties	291				291
Earnings on Investments	69,712	4,816			74,528
Other Revenue	7,863	4,637			12,500
<b>Total Cash Receipts</b>	<u>495,002</u>	<u>533,970</u>	<u>54,176</u>	<u>837</u>	<u>1,083,985</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	268,470				268,470
Public Safety	16,426	159,229			175,655
Public Works	2,000	439,900			441,900
Debt Service:					
Redemption of Principal		29,101			29,101
Interest and Fiscal Charges		6,413			6,413
Capital Outlay	24,535	302,428	108,104		435,067
<b>Total Cash Disbursements</b>	<u>311,431</u>	<u>937,071</u>	<u>108,104</u>		<u>1,356,606</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>183,571</u>	<u>(403,101)</u>	<u>(53,928)</u>	<u>837</u>	<u>(272,621)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Notes		156,450			156,450
Sale of Fixed Assets	149,265				149,265
Transfers-In			53,931		53,931
Transfers-Out	(53,931)				(53,931)
Other Sources	30				30
Other Uses				(837)	(837)
<b>Total Other Financing Receipts</b>	<u>95,364</u>	<u>156,450</u>	<u>53,931</u>	<u>(\$837)</u>	<u>304,908</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>278,935</u>	<u>(246,651)</u>	<u>3</u>		<u>32,287</u>
<b>Fund Cash Balances, January 1</b>	<u>612,043</u>	<u>590,174</u>	<u>350,000</u>		<u>1,552,217</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$890,978</b></u>	<u><b>\$343,523</b></u>	<u><b>\$350,003</b></u>		<u><b>\$1,584,504</b></u>

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

**VERMILION TOWNSHIP  
ERIE 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, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$144,057	\$373,571			\$517,628
Intergovernmental	589,417	136,402			725,819
Licenses, Permits, and Fees	71,348			\$514	71,862
Fines, Forfeitures, and Penalties	669				669
Earnings on Investments	52,674	2,601			55,275
Other Revenue	3,198	6,414			9,612
<b>Total Cash Receipts</b>	<u>861,363</u>	<u>518,988</u>		<u>514</u>	<u>1,380,865</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	308,935				308,935
Public Safety	81,067	99,147			180,214
Public Works	1,129	574,807			575,936
Capital Outlay	607,614	62,025			669,639
<b>Total Cash Disbursements</b>	<u>998,745</u>	<u>735,979</u>			<u>1,734,724</u>
<b>Total Receipts (Under) Disbursements</b>	<u>(137,382)</u>	<u>(216,991)</u>		<u>514</u>	<u>(353,859)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In			\$350,000		350,000
Transfers-Out	(350,000)				(350,000)
Other Uses				(514)	(514)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(350,000)</u>		<u>350,000</u>	<u>(\$514)</u>	<u>(514)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(487,382)</u>	<u>(216,991)</u>	<u>350,000</u>		<u>(354,373)</u>
<b>Fund Cash Balances, January 1 (Restated)</b>	<u>1,099,425</u>	<u>807,165</u>			<u>1,906,590</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$612,043</b></u>	<u><b>\$590,174</b></u>	<u><b>\$350,000</b></u>		<u><b>\$1,552,217</b></u>

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

**VERMILION TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Vermilion Township, Erie County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the City of Vermilion to provide ambulance services.

The Township belongs to the Ohio Government Risk Management Plan. Note 8 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

The Ohio Government Risk Management Plan is an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and repurchase agreements at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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:

**VERMILION TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire District Fund - This fund receives property tax monies that are expended to operate a volunteer fire department.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Project Funds:

Issue II Fund - The Township received a grant from the State of Ohio to replace a storm sewer.

Capital Reserve Fund – This fund was established to reserve monies for future capital projects.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for monies collected from commercial and residential building inspections. Three percent of the commercial money collected for the acceptance and approval of plans is remitted to the State Board of Building Standards.

**E. Budgetary Process**

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

**VERMILION TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. FUND RECLASSIFICATION AND RESTATEMENT OF FUND BALANCES**

The Township previously posted all fees collected for the approval of plans and specifications in an agency fund. In order to follow the requirements in MAS Bulletin 93-11; the three percent of the fee collected on behalf of the Board of Building Standards was retained in the agency fund and the remainder of the fee was reclassified in the General Fund. This change in classification had the following effect on fund balances previously reported for the year ended December 31, 2004:

	General Fund	Agency Fund
Fund balance December 31, 2004	\$1,076,415	\$23,010
Fund reclassification	23,010	(23,010)
Restated fund balance December 31, 2004	\$1,099,425	

**VERMILION TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2006	2005
Demand deposits	(\$20,039)	(\$78,069)
Certificates of deposit	303,849	296,650
Total deposits	283,810	218,581
STAR Ohio	245,694	333,636
Repurchase agreement	1,055,000	1,000,000
Total investments	1,300,694	1,333,636
Total deposits and investments	\$1,584,504	\$1,552,217

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

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$386,071	\$644,297	\$258,226
Special Revenue	677,867	690,420	12,553
Capital Projects	67,093	108,107	41,014
Fiduciary	1,359	837	(522)
Total	\$1,132,390	\$1,443,661	\$311,271

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$932,507	\$365,362	\$567,145
Special Revenue	1,268,041	937,071	330,970
Capital Projects	458,352	108,104	350,248
Fiduciary	1,359	837	522
Total	\$2,660,259	\$1,411,374	\$1,248,885

**VERMILION TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. BUDGETARY ACTIVITY – (CONTINUED)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$760,280	\$861,363	\$101,083
Special Revenue	475,407	518,988	43,581
Capital Projects		350,000	350,000
Fiduciary	514	514	
Total	\$1,236,201	\$1,730,865	\$494,664

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,772,037	\$1,348,745	\$423,292
Special Revenue	1,275,532	735,979	539,553
Capital Projects	350,000		350,000
Fiduciary	514	514	
Total	\$3,398,083	\$2,085,238	\$1,312,845

Contrary to Ohio law, appropriations exceeded certified estimated resources for 2005 in the Gasoline Tax fund, the Road and Bridge fund, and the Capital Reserve fund. Appropriations exceeded certified estimated resources for 2006 in the Public Works fund.

Expenditures exceeded appropriations for 2006 in the Public Works fund contrary to Ohio law.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

**VERMILION TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
Fire Rescue Vehicle Loan	\$127,349	4.52%

The Township took out a commercial loan to finance the purchase of a new fire rescue vehicle and equipment for the Township's volunteer fire department. The loan will be repaid in annual payments of \$35,514.

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

Year ending December 31:	Fire Rescue Vehicle Loan
2007	\$35,514
2008	35,514
2009	35,514
2010	35,514
Total	\$142,056

**7. RETIREMENT SYSTEM**

The Townships employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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.

**VERMILION TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. RISK MANAGEMENT – (CONTINUED)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years. Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	<u><b>2005</b></u>	<u><b>2004</b></u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Vermilion Township  
Erie County  
1907 State Route 60, P.O. Box 83  
Vermilion, Ohio 44089-0083

To the Board of Trustees:

We have audited the financial statements of Vermilion Township, Erie County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 13, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. The Township also reclassified certain activity previously reported in agency funds. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the ownership's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-002 is also a material weakness.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 13, 2007.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 13, 2007

**VERMILION TOWNSHIP  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance and Significant Deficiency**

Ohio Rev. Code Section 5705.39 limits appropriations to estimated resources. This section provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources in the Gasoline Tax fund by \$1,338, the Road and Bridge fund by \$49,297 and the Capital Reserve fund by \$350,000 in 2005 and the Public Works funds by \$41,259 in 2006.

To reduce the risk of deficit fund balances, we recommend the fiscal officer monitor appropriations to ensure they are within the limits of the estimated revenue on the Amended Certificate of Estimated Resources. The fiscal officer should also make sure the Township receives a certificate from the County Auditor that total appropriations do not exceed the total estimate.

**Official's Response:**

Officials did not respond.

**FINDING NUMBER 2006-002**

**Noncompliance and Material Weakness**

**Chapter 5705** of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a governmental entity expends no more than it expects to receive in revenue. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded R.C. 5705.42. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38. Additionally, R.C. 5705.41 (B) states that no subdivision shall make an expenditure of money unless it has been properly appropriated.

In 2006 the Township was the beneficiary of \$54,176 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Township. Since OPWC paid the invoice, the Township did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Public Works fund by \$66,844, contrary to R.C. 5705.41(B).

**FINDING NUMBER 2006-002  
(Continued)**

We recommend the Township record all benefits received from state or federal grants as a memo receipt and expenditure on the Township's records and appropriate funds for the expenditures. In addition, Township management should review Auditor of State Bulletins 2000-008 and 2002-004.

**Official's Response:**

Officials did not respond.

**FINDING NUMBER 2006-003**

**Significant Deficiency**

The Township Accounting Manual describes the proper use of an Agency fund as a fund that should be used to account for the receipt and expenditure of monies on behalf of individuals or other organizations or governments. Any portion of the resources that will revert back to the reporting entity should not be accounted for in an agency fund. Agency funds are purely custodial in nature, meaning that nothing is held over for the benefit of the reporting entity. What comes in will go out to another individual or other organization or government.

Auditor of State MAS Bulletin 93-11 states that all political subdivisions that prescribe fees for the acceptance and approval of plans and specifications, and for making of all inspections pursuant to division (E) of section 3781.102, Revised Code, shall collect and remit, on behalf of the Township the Board of Building Standards' assessment equal to three percent of such fees. Those governments having to assess the three percent Board of Building Standards fee should account for the money in an agency fund.

The Township is currently accounting for all fees collected for the approval of plans and specifications in an agency fund. We recommend the Township post the fees less the three percent collected on behalf of the Board of Building Standards in the General fund. Audit adjustments were made to the Township's financial statements to reflect the revenue and expenses in the aforementioned funds.

**Official's Response:**

Officials did not respond.



**Mary Taylor, CPA**  
Auditor of State

**VERMILION TOWNSHIP**

**ERIE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 9, 2007**