



**VERMILION TOWNSHIP  
ERIE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



VERMILION TOWNSHIP  
ERIE COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Vermilion Township  
Erie County  
736 Main Street  
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, 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 April 9, 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.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 9, 2001

**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, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$108,953	\$275,684		\$384,637
Intergovernmental	142,683	90,805		233,488
Licenses, Permits, and Fees	36,248			36,248
Fines, Forfeitures, and Penalties	420			420
Earnings on Investments	50,091	4,851		54,942
Other Revenue	1,188	17	\$5,921	7,126
	<u>339,583</u>	<u>371,357</u>	<u>5,921</u>	<u>716,861</u>
<b>Total Cash Receipts</b>				
	<u>339,583</u>	<u>371,357</u>	<u>5,921</u>	<u>716,861</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	125,529		22,064	147,593
Public Safety	64,333			64,333
Public Works	3,262	282,466		285,728
Capital Outlay	257,653			257,653
	<u>450,777</u>	<u>282,466</u>	<u>22,064</u>	<u>755,307</u>
<b>Total Cash Disbursements</b>				
	<u>450,777</u>	<u>282,466</u>	<u>22,064</u>	<u>755,307</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(111,194)</u>	<u>88,891</u>	<u>(16,143)</u>	<u>(38,446)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(111,194)</u>	<u>88,891</u>	<u>(16,143)</u>	<u>(38,446)</u>
<b>Fund Cash Balances, January 1</b>	<u>567,556</u>	<u>489,519</u>	<u>25,004</u>	<u>1,082,079</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$456,362</u></u>	<u><u>\$578,410</u></u>	<u><u>\$8,861</u></u>	<u><u>\$1,043,633</u></u>
<b>Reserve for Encumbrances, December 31</b>		<u><u>\$45,151</u></u>		<u><u>\$45,151</u></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, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$105,246	\$272,579		\$377,825
Intergovernmental	140,163	92,883		233,046
Licenses, Permits, and Fees	49,786			49,786
Fines, Forfeitures, and Penalties	1,051			1,051
Earnings on Investments	33,740	6,117		39,857
Other Revenue	500	13,882	\$24,709	39,091
	<u>330,486</u>	<u>385,461</u>	<u>24,709</u>	<u>740,656</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	123,446	1,290	4,076	128,812
Public Safety	75,458			75,458
Public Works	1,020	146,665		147,685
Capital Outlay	2,434			2,434
	<u>202,358</u>	<u>147,955</u>	<u>4,076</u>	<u>354,389</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>128,128</u>	<u>237,506</u>	<u>20,633</u>	<u>386,267</u>
<b>Other Financing Receipts:</b>				
Other Sources	514			514
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	128,642	237,506	20,633	386,781
Fund Cash Balances, January 1	<u>438,914</u>	<u>252,013</u>	<u>4,371</u>	<u>695,298</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$567,556</b></u>	<u><b>\$489,519</b></u>	<u><b>\$25,004</b></u>	<u><b>\$1,082,079</b></u>
Reserve for Encumbrances, December 31	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Vermilion Township, Erie 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, and cemetery maintenance.

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 and Investments**

Certificates of deposit and repurchase agreements are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VERMILION TOWNSHIP  
ERIE COUNTY**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts) 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.

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

**3. Fiduciary Funds (Trust and Agency Funds)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

*Commercial Building Permits Fund* - This fund receives monies collected from building inspections. Three percent of all fees for the acceptance and approval of plans are remitted to the State Board of Building Standards. The remaining funds are transferred to the General Fund once all fees and expenses have been paid.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**VERMILION TOWNSHIP  
ERIE COUNTY**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**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 basis of accounting used by the Township.

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

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

	<u>2000</u>	<u>1999</u>
Demand deposits	(\$16,552)	(\$10,492)
Certificates of deposit	267,182	262,516
Total deposits	<u>250,630</u>	<u>252,024</u>
Repurchase Agreement	495,000	550,000
STAR Ohio	298,003	280,055
Total investments	<u>793,003</u>	<u>830,055</u>
Total deposits and investments	<u>\$1,043,633</u>	<u>\$1,082,079</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Securities subject to repurchase agreements are held by the financial institution, and not in the Township's name.

**VERMILION TOWNSHIP  
ERIE COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$269,111	\$339,583	\$70,472
Special Revenue	359,504	371,357	11,853
Fiduciary	9,270	5,921	(3,349)
Total	<u>\$637,885</u>	<u>\$716,861</u>	<u>\$78,976</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$833,947	\$450,777	\$383,170
Special Revenue	844,114	327,617	516,497
Fiduciary	34,273	22,064	12,209
Total	<u>\$1,712,334</u>	<u>\$800,458</u>	<u>\$911,876</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$237,289	\$331,000	\$93,711
Special Revenue	296,334	385,461	89,127
Fiduciary	6,180	24,709	18,529
Total	<u>\$539,803</u>	<u>\$741,170</u>	<u>\$201,367</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$676,203	\$202,358	\$473,845
Special Revenue	692,785	147,955	544,830
Fiduciary	10,551	4,076	6,475
Total	<u>\$1,379,539</u>	<u>\$354,389</u>	<u>\$1,025,150</u>

The Township did not properly certify the availability of funds as required by Ohio Revised Code § 5705.41 (D).

**VERMILION TOWNSHIP  
ERIE COUNTY**

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

**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.

**5. 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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% for 2000. The Township has paid all contributions required through December 31, 2000.

**6. RISK MANAGEMENT**

The Township is a member of the Ohio Township Risk Management Authority (the Authority). The Authority assumes the risk of loss up to the limits of the Township's policy. The Authority may assess supplemental premiums. The following risks are covered by the Authority:

- Legal Liability - Third Party Claims Coverage;
- Automobile Liability Coverage;
- Wrongful Acts Coverage;
- Automobile Physical Damage; and
- Property Coverage: Building and Contents, Inland Marine.

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

Vermilion Township  
Erie County  
736 Main Street  
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, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 9, 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2000-40522-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 9, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 the management of the Township in a separate letter dated April 9, 2001.

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

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

**Jim Petro**  
Auditor of State

April 9, 2001



VERMILION TOWNSHIP  
ERIE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-40522-001

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During testing it was noted in 5% of the transactions selected for examination, the certification of availability was completed after the expenditure had been incurred and the amount of the expenditure was in excess of \$1,000. No formal resolution of the Board of Trustees was passed authorizing payment for these expenditures as required by this section. The failure to properly certify expenditures resulted in material unrecorded purchase commitments totaling \$45,151 in the Special Revenue Fund Type that required adjustment to the Township's financial statements. The failure to properly certify expenditures in advance may result in the Township expending amounts in excess of available resources.

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STATE OF OHIO  
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JIM PETRO, AUDITOR OF STATE

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**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  
MAY 3, 2001**