

Vernon Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2013 and 2012



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# Dave Yost • Auditor of State

Board of Trustees  
Vernon Township  
456 Boggs Road  
Wheelersburg, Ohio 45694

We have reviewed the *Independent Auditor's Report* of Vernon Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## TRUSTEE SALARY

Ohio Rev. Code Section 505.24 defines, in part, the maximum compensation allowed for Township Trustees based on their annual budget. During January 1 through July 17, 2013, the Township Trustees were entitled to annual compensation of \$9,004 or \$45.02 per day up to a maximum of 200 days, based on the Township's budget being between \$500,001 and \$750,000. The Township's Official Certificate of Estimated Resources for 2013 which was dated August 24, 2012 showed a total of \$711,467.39 and increased to \$749,803.67 with the Amended Official Certificate of Estimated Resources dated January 28, 2013. During July 18, 2013 through December 31, 2013, the Township Trustees were entitled to annual compensation of \$10,288, or \$51.44 per day up to a maximum of 200 days, based on the Township's budget being between \$750,001 and \$1,500,000. The Township's total increased to \$759,803.67 as a result of a request for an increased amended certificate filed with the County Auditor's Office on July 18, 2013. The Official Certificate of Estimated Resources dated July 22, 2013 showed a total amount of \$759,803.67. Further, the Official Certificate of Estimated Resources dated November 27, 2013 increased to a total of \$841,803.67.

As stated above, the Trustees were entitled to be paid at the rate of \$45.02 per day from January 1, 2013 through July 17, 2013. From July 18, 2013 through December 31, 2013, the Township Trustees were entitled to be paid at the rate of \$51.44 per day. The Township, however, erroneously paid the Trustees at an incorrect rate for January 1, 2013 to July 17, 2013. The checks issuing the incorrect payments were signed by the Trustees and the Fiscal Officer. This resulted in each Township Trustee being overpaid as follows:

Trustee Name	Ohio Rev. Code Approved Pay from January 1, 2013 to July 17, 2013	Ohio Rev. Code Approved Pay from July 18, 2013 to December 31, 2013	Total Ohio Rev. Code Approved Pay for 2013	2013 Actual Amount Paid	2013 Over / (Under) Payment
Rick Cartee	\$4,884	\$4,707	\$9,591	\$10,288	\$697
Teresa Wallace	\$4,884	\$4,707	\$9,591	\$10,288	\$697
Mart Wicker	\$4,884	\$4,707	\$9,591	\$10,288	\$697

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Rick Cartee, Teresa Wallace, and Mart Wicker, Vernon Township Trustees, and their surety company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$697 for Rick Cartee, \$697 for Teresa Wallace, and \$697 for Mart Wicker and in favor of Vernon Township, Scioto County, General Fund for \$209 and Gasoline Tax Fund for \$1,882.

When informed of these facts, Rick Cartee repaid \$697 to the Township on March 4, 2015 and Teresa Wallace repaid \$697 to the Township on February 26, 2015. Also when informed of these facts, Debra Howard, Fiscal Officer repaid \$697 to the Township on March 4, 2015 for the amount issued to Mart Wicker.

**FISCAL OFFICER SALARY**

Ohio Rev. Code Section 507.09 defines, in part, the maximum compensation allowed for Township Fiscal Officers based on their annual budget. During January 1 through July 17, 2013, the Township Fiscal Officer was entitled to annual compensation of \$14,147 based on the Township's budget being between \$500,001 and \$750,000. The Township's Official Certificate of Estimated Resources for 2013 which was dated August 24, 2012 showed a total of \$711,467.39 and increased to \$749,803.67 with the Amended Official Certificate of Estimated Resources dated January 28, 2013. During July 18, 2013 through December 31, 2013, the Township Fiscal Officer was entitled to annual compensation of \$16,977 based on the Township's budget being between \$750,001 and \$1,500,000. The Township's total increased to \$759,803.67 as a result of a request for an increased amended certificate filed with the County Auditor's Office on July 18, 2013. The Official Certificate of Estimated Resources dated July 22, 2013 showed a total amount of \$759,803.67. Further, the Official Certificate of Estimated Resources dated November 27, 2013 increased to a total of \$841,803.67.

As stated above, the Fiscal Officer was entitled to be paid annual compensation of \$14,147 from January 1, 2013 through July 17, 2013. From July 18, 2013 through December 31, 2013, the Fiscal Officer was entitled to be paid annual compensation of 16,977. The Township, however, erroneously paid the Fiscal Officer at an incorrect rate for January 1, 2013 to July 17, 2013. The checks issuing the incorrect payments were signed by the Trustees and the Fiscal Officer. This resulted in the Fiscal Officer being overpaid as follows:

Fiscal Officer Name	Ohio Rev. Code Approved Pay from January 1, 2013 to July 17, 2013	Ohio Rev. Code Approved Pay from July 18, 2013 to December 31, 2013	Total Ohio Rev. Code Approved Pay for 2013	2013 Actual Amount Paid	2013 Over / (Under) Payment
Debra Howard	\$7,674	\$7,768	\$15,442	\$16,977	\$1,535

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Debra Howard, Vernon Township Fiscal Officer, and her surety company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$1,535 and in favor of Vernon Township, Scioto County, General Fund for \$1,535.

When informed of these facts, Debra Howard paid \$1,535 to the Township on March 4, 2015.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Vernon Township is responsible for compliance with these laws and regulations.



Dave Yost  
Auditor of State

May 13, 2015

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**Vernon Township**  
**Scioto County**  
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*For the Years Ended December 31, 2013 and 2012*

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**Independent Auditor's Report**

Board of Trustees  
Vernon Township  
Scioto County  
456 Boggs Road  
Wheelersburg, Ohio 45694

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Vernon Township, Scioto County, (the Township) as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Vernon Township, Scioto County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 20, 2014

**Vernon Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2013*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$34,013	\$229,658	\$263,671
Licenses, Permits, and Fees	9,488	0	9,488
Intergovernmental	54,558	153,665	208,223
Earnings on Investments	2,206	105	2,311
Miscellaneous	4,252	4,181	8,433
<b>Total Cash Receipts</b>	<b>104,517</b>	<b>387,609</b>	<b>492,126</b>
<b>Cash Disbursements:</b>			
Current:			
General Government	55,053	0	55,053
Public Safety	144	127,860	128,004
Public Works	0	105,686	105,686
Health	25,864	1,653	27,517
Conservation and Recreation	1,571	80	1,651
Capital Outlay	67,823	28,380	96,203
Debt Service:			
Redemption of Principal	0	24,019	24,019
Interest and Other Fiscal Charges	0	6,361	6,361
<b>Total Cash Disbursements</b>	<b>150,455</b>	<b>294,039</b>	<b>444,494</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(45,938)</b>	<b>93,570</b>	<b>47,632</b>
<b>Fund Cash Balances, January 1</b>	<b>114,176</b>	<b>241,180</b>	<b>355,356</b>
Restricted for:			
Cemetery	0	5,270	5,270
Emergency Medical Service	0	8,846	8,846
Fire Operations	0	86,061	86,061
Recreation Program	0	4,397	4,397
Road and Bridge Maintenance and Improvements	0	230,176	230,176
Unassigned	68,238	0	68,238
<b>Fund Cash Balances, December 31</b>	<b>\$68,238</b>	<b>\$334,750</b>	<b>\$402,988</b>

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

**Vernon Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2012*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$35,146	\$228,668	\$263,814
Licenses, Permits, and Fees	8,923	0	8,923
Intergovernmental	79,886	122,409	202,295
Earnings on Investments	1,834	367	2,201
Miscellaneous	65	4,334	4,399
<b>Total Cash Receipts</b>	<b>125,854</b>	<b>355,778</b>	<b>481,632</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	55,069	638	55,707
Public Safety	9,451	118,554	128,005
Public Works	35,416	226,528	261,944
Health	23,651	1,985	25,636
Conservation/Recreation	1,252	300	1,552
Capital Outlay	7,038	11,502	18,540
<b>Debt Service:</b>			
Redemption of Principal	0	38,964	38,964
Interest and Other Fiscal Charges	0	8,296	8,296
<b>Total Cash Disbursements</b>	<b>131,877</b>	<b>406,767</b>	<b>538,644</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(6,023)</b>	<b>(50,989)</b>	<b>(57,012)</b>
<b>Fund Cash Balances, January 1</b>	<b>120,199</b>	<b>292,169</b>	<b>412,368</b>
<b>Restricted for:</b>			
Cemetery	0	5,523	5,523
Emergency Medical Service	0	2,217	2,217
Fire Operations	0	62,809	62,809
Recreation Program	0	2,991	2,991
Road and Bridge Maintenance and Improvements	0	167,640	167,640
Unassigned	114,176	0	114,176
<b>Fund Cash Balances, December 31</b>	<b>\$114,176</b>	<b>\$241,180</b>	<b>\$355,356</b>

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

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Vernon Township, Scioto 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 Vernon Township Rescue and Emergency Co., to provide ambulance services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

**Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

**Cash**

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

**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:

*General Fund*

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

*Special Revenue Funds*

These funds account for proceeds from specific sources (other than those from private-purpose 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 roads.

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

**Vernon Township**  
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*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Special Revenue Funds (Continued)*

Fire Special Levy Fund - This fund receives property tax money for providing fire protection to the residents of the Township.

Ambulance Special Levy Fund - This fund receives property tax money to provide ambulatory services to the residents of the Township.

**Budgetary Process**

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

*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.

*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.

*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.

A summary of the 2013 and 2012 budgetary activity appears in Note 3.

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

*Restricted* – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

*Committed* – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2013 and 2012

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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.

**Note 2 – Equity in Pooled Cash**

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

	2013	2012
Demand Deposits	\$402,988	\$355,356

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2013 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$139,530	\$104,517	(\$35,013)
Special Revenue	345,410	387,609	42,199
Total	\$484,940	\$492,126	\$7,186

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,200	\$150,455	\$23,745
Special Revenue	572,735	294,039	278,696
Total	\$746,935	\$444,494	\$302,441

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
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**Note 3 – Budgetary Activity (Continued)**

Budgetary activity for the year ending December 31, 2012 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,056	\$125,854	\$61,798
Special Revenue	347,829	355,778	7,949
Total	<u>\$411,885</u>	<u>\$481,632</u>	<u>\$69,747</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,139	\$131,877	\$52,262
Special Revenue	639,529	406,767	232,762
Total	<u>\$823,668</u>	<u>\$538,644</u>	<u>\$285,024</u>

**Note 4 – Property Taxes**

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.

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

**Note 5 – Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Fire Truck Lease	\$96,847	5.33%

On February 28 2002, the Township entered into a lease/purchase agreement in the amount of \$139,900 to finance the purchase of a fire truck to be used for fire protection. The debt was fully paid in 2012.

On July 26, 2004, the Township entered into a lease/purchase agreement in the amount of \$80,000 to finance the purchase of a fire truck. The debt was fully paid in 2013.

On May 7, 2009, the Township entered into a lease/purchase agreement in the amount of \$143,875 to finance the purchase of a fire truck to be used for fire protection.

**Vernon Township**  
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*Notes to the Financial Statements*  
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**Note 5 – Debt (Continued)**

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

Year Ending December 31:	Fire Truck
2014	\$19,287
2015	19,287
2016	19,287
2017	19,287
2018	19,287
2019	19,287
Total	<u>\$115,722</u>

**Note 6 – Retirement System**

The Township’s employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2013.

**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**Casualty and Property Coverage**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Vernon Township**  
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*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 7 – Risk Management (Continued)**

**Financial Position**

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (latest information available):

	2013	2012
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township’s share of these unpaid claims collectible in future years is approximately \$8,000

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2013	2012
\$13,956	\$13,938

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 – Contingent Liabilities**

**Grants**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 9 – Compliance**

Contrary to Ohio Revised Code 5705.41(D), the Township did not properly certify purchase commitment in 2013 and 2012.

Contrary to Ohio Revised Code 5705.36(A)(2), the Township had appropriations in excess of available resources in 2012.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 9 – Compliance (Continued)**

Contrary to Ohio Revised Code 5705.39, the Township had appropriations in excess of estimated resources in 2012 and 2013.

During 2013, the Township did not always follow the guidance for elected officials compensation in accordance with Ohio Revised Code Sections 505.24 and 507.29.

**Note 10 – Subsequent Event**

On May 22, 2014, the Township agreed to accept the bid for a fire truck from Smeal Fire Apparatus Company for a purchase price of \$255,651. The purchase is being made due to the old fire truck being destroyed in a wreck. The Township plans to purchase the fire truck with insurance proceeds, in which they anticipate to receive \$200,000, and finance the remaining balance.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees  
Vernon Township  
Scioto County  
456 Boggs Road  
Wheelersburg, Ohio 45694

We have audited 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, the financial statements of Vernon Township, Scioto County (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 20, 2014, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-001 and 2013-002 to be material weaknesses.

Vernon Township  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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### **Compliance and Other Matters**

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-003 through 2013-006.

### **Township's Responses to Findings**

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 20, 2014

**Vernon Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2013 and 2012*

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2013-001**

**Material Weakness – Financial Reporting**

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. During 2013 and 2012, the Township erroneously posted receipts and disbursements to the incorrect accounts, and, in certain instances, funds. Additionally, one disbursement cleared the bank in 2012 which was not recorded until the subsequent year. These items required reclassifications and adjustments to properly present the activity of the Township for both years.

We recommend the Township implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Township Response:**

We would like to have your guidance in the correct way to post items.

**Finding Number 2013-002**

**Material Weakness – Budgetary Information Within Accounting System**

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to appropriations are authorized by the governing body. Certain amendments should also be filed with the County.

During 2013, budgetary information entered into the accounting system did not match amounts per the estimated resources in the General Fund.

The Township implemented the appropriate procedures to ensure that all authorized budgetary amendments are properly documented within the minutes record to ensure that budgetary information disclosed in the financial records are adequately supported.

**Township Response:**

I am willing to learn the correct way to set up the budget by asking and reading.

**Vernon Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2013 and 2012*

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**Finding Number 2013-003**

**Noncompliance Citation – Ohio Revised Code Section 5705.41(D)**

Ohio Revised Code Section 5705.41 (D) (1) 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 statute provides the following exception to this basic requirement:

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 she is completing her 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 \$3,000 for political subdivisions other than counties 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, we noted several disbursements were not certified at the time of commitment and there was no evidence that the Township followed the aforementioned exception. Failure to properly certify the availability of funds could result in overspending or unauthorized or improper expenditure of funds.

We recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**Township Response:**

The Township will ensure that funds are properly and timely done.

**Finding Number 2013-004**

**Noncompliance Citation – Ohio Revised Code Section 5705.36(A)(2)**

Ohio Revised Code Section 5705.36(A)(2) allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Township had appropriations in excess of available resources in 2012. The condition put the Township at risk of overspending without sufficient available funds. The Township should implement additional monitoring procedures to ensure the appropriations are within available resources and that reduced amended certificates, and related reductions in appropriations, are obtained when appropriate.

**Township Response:**

The Fiscal Officer will have another Fiscal Officer or UAN show how to better control the appropriations.

**Vernon Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2013 and 2012*

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**Finding Number 2013-005**

**Noncompliance Citation – Ohio Revised Code Section 5705.39**

Ohio Revised Code Section 5705.39 states 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. The Township's appropriations exceeded estimated resources in 2012 and 2013. The Township should implement the appropriate procedures to assure that appropriations do not exceed the amount of estimated resources.

**Township Response:**

The Fiscal Officer will have another Fiscal Officer or UAN show how to better control the appropriations.

**Finding Number 2013-006**

**Noncompliance Citation – Ohio Revised Code Section 505.24 and 507.29**

Ohio Revised Code Sections 505.24 and 507.29 set forth elected official compensation rates based on budget tiers. The Township's budget decreased during 2013 which put the elected officials' salaries in a lower pay scale; however, the salaries were not reflective of the lower amounts. The Township should ensure the appropriate adjustments are made to elected official salaries when the budget falls below the thresholds set forth by the Ohio Revised Code.

**Township Response:**

The Fiscal Officer did not catch the error and will look at it closer so it does not happen again.

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# Dave Yost • Auditor of State

**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  
MAY 26, 2015**