



**VERNON TOWNSHIP
CLINTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VERNON TOWNSHIP
CLINTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Vernon Township
Clinton County
P.O. Box 3
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Clarksville, OH 45113

To the Board of Trustees:

We have audited the accompanying financial statements of Vernon Township, Clinton 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described 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 Vernon Township, Clinton County, 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 25, 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 audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 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 25, 2001

**VERNON TOWNSHIP
CLINTON 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund Types</u>	
Cash Receipts:				
Taxes	\$23,839	\$90,549	\$0	\$114,388
Licenses, Permits and Fees	6,340	0	0	6,340
Intergovernmental Receipts	40,459	66,827	20,687	148,660
Interest	5,836	1,327	933	8,096
Other Revenue	3,093	10,279	0	13,372
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	79,567	168,982	21,620	290,856
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	32,360	8,798	0	41,158
Public Safety	0	62,000	0	62,000
Public Works	10,936	79,288	0	90,224
Health	5,013	9,758	0	14,771
Capital Outlay	5,674	11,996	20,687	59,044
Debt Service:				
Note Principal Payment	2,341	5,223	0	7,564
Interest	877	0	0	877
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	57,201	177,063	20,687	275,638
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	22,366	(8,081)	933	15,218
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	44,738	77,230	16,640	138,608
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$67,104</u>	<u>\$69,149</u>	<u>\$17,573</u>	<u>\$153,826</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$185</u>	<u>\$404</u>	<u>\$0</u>	<u>\$589</u>

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

VERNON TOWNSHIP
CLINTON 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund Types</u>	
Cash Receipts:				
Taxes	\$19,054	\$81,643	\$0	\$100,697
Charges for Services	0	1,200	0	1,200
Licenses, Permits and Fees	1,900	0	0	1,900
Intergovernmental Receipts	32,878	66,316	75,080	174,274
Interest	2,495	858	785	4,138
Other Revenue	6,684	6,582	0	13,266
Total Cash Receipts	<u>63,011</u>	<u>156,599</u>	<u>75,865</u>	<u>295,475</u>
Cash Disbursements:				
Current:				
General Government	30,713	3,347	0	34,060
Public Safety	0	61,000	0	61,000
Public Works	0	66,836	0	66,836
Health	3,111	4,481	0	7,592
Capital Outlay	13,842	25,977	75,080	114,899
Total Cash Disbursements	<u>47,666</u>	<u>161,641</u>	<u>75,080</u>	<u>284,387</u>
Total Receipts Over/(Under) Disbursements	<u>15,345</u>	<u>(5,042)</u>	<u>785</u>	<u>11,088</u>
Fund Cash Balances, January 1	<u>29,393</u>	<u>82,272</u>	<u>15,855</u>	<u>127,520</u>
Fund Cash Balances, December 31	<u>\$44,738</u>	<u>\$77,230</u>	<u>\$16,640</u>	<u>\$138,608</u>
Reserve for Encumbrances, December 31	<u>\$2,608</u>	<u>\$2,215</u>	<u>\$0</u>	<u>\$4,823</u>

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

**VERNON TOWNSHIP
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Vernon Township, Clinton 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 maintenance, cemetery maintenance, fire protection and emergency services protection.

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 Deposits

Certificates of deposit are valued at cost. The Clerk deposits all available funds of the Township. During fiscal years 2000 and 1999, the Township's funds were deposited in a checking account and Certificates of Deposits with a local commercial bank.

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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township 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.

Motor Vehicle License Tax Fund - This fund receives license tax money to pay for maintaining and repairing Township roads.

**VERNON TOWNSHIP
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire and Emergency Services Levy Fund - This fund receives proceeds from the levies for fire and emergency protection services.

Cemetery Levy Fund - This fund receives proceeds from the levies for cemetery maintenance and upkeep.

Cemetery Fund - Receives proceeds from the sale of cemetery lots.

3. Fiduciary Funds (Nonexpendable Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Funds:

Nonexpendable Trust Fund - Used to account for the funds bequeathed to the Township for cemetery care.

OPWC Agency Fund - Used to record amounts paid by the Ohio Public Works Commission directly to contractors for Township road projects. The Township has no administrative responsibility for these funds.

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.

**VERNON TOWNSHIP
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 failed to properly certify and encumber certain expenditures as required by Ohio Rev. Code, Section 5705.41(D).

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.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$138,826	\$123,608
Certificates of deposit	15,000	15,000
Total deposits	\$153,826	\$138,608

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

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	\$62,361	\$79,567	\$17,206
Special Revenue	150,229	168,982	18,753
Capital Projects	20,687	20,687	0
Fiduciary	901	933	32
Total	\$234,178	\$270,169	\$35,991

**VERNON TOWNSHIP
CLINTON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,343	\$57,386	\$51,957
Special Revenue	225,215	177,467	47,748
Capital Projects	20,687	20,687	0
Fiduciary	17,431	0	17,431
Total	<u>\$372,676</u>	<u>\$255,540</u>	<u>\$117,136</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,834	\$63,011	\$11,177
Special Revenue	163,989	156,599	(7,390)
Nonexpendable Trust	566	785	219
Total	<u>\$216,389</u>	<u>\$220,395</u>	<u>\$4,006</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,959	\$50,274	\$30,685
Special Revenue	246,165	163,856	82,309
Nonexpendable Trust	16,421	0	16,421
Total	<u>\$343,545</u>	<u>\$214,130</u>	<u>\$129,415</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VERNON TOWNSHIP
CLINTON COUNTY**

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

5. RETIREMENT SYSTEMS

Employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

6. RISK MANAGEMENT

The Township has obtained commercial insurance through private carriers who assume the risk of loss up to the limits of the Township's policies. The following risks are covered:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability
- Inland Marine

7. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Backhoe Note	<u>\$7,565</u>	5.9%

The purpose of this loan was for the Township to purchase a backhoe in 1998. The Township paid the final note payment of \$8,442 (including interest) on January 13, 2001.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Vernon Township
Clinton County
P.O. Box 3
229 Main Street
Clarksville, OH 45113

To the Board of Trustees:

We have audited the accompanying financial statements of Vernon Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 25, 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* which is described in the accompanying schedule of findings as item number 2000-40414-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 25, 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 management of the Township in a separate letter dated April 25, 2001.

Vernon Township
Clinton County
Report 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 25, 2001

**VERNON TOWNSHIP
CLINTON 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 2000-40414-01

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Thirty eight percent of the Township's expenditures tested were not properly certified or encumbered prior to incurring the obligation. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of Township funds.



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VERNON TOWNSHIP

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 5, 2001**