



**Auditor of State
Betty Montgomery**

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Vermillion Township
Ashland County
891 CR 1904
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the accompanying financial statements of Vermillion Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002, and 2001, 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 June 22, 2003, 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 § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2003

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$13,839	\$195,218		\$209,057
Intergovernmental	62,985	67,662		130,647
Licenses, Permits, and Fees	5,130	9,075		14,205
Earnings on Investments	1,959	803		2,762
Other Revenue	28	4,148		4,176
	<u>83,941</u>	<u>276,906</u>		<u>360,847</u>
Total Cash Receipts				
	<u>83,941</u>	<u>276,906</u>		<u>360,847</u>
Cash Disbursements:				
Current:				
General Government	67,599	24		67,623
Public Safety		34,804		34,804
Public Works		166,354		166,354
Health	957	26,260		27,217
Conservation - Recreation		10,185		10,185
Capital Outlay	5,924	16,171		22,095
	<u>74,480</u>	<u>253,798</u>		<u>328,278</u>
Total Cash Disbursements				
	<u>74,480</u>	<u>253,798</u>		<u>328,278</u>
Total Cash Receipts Over Cash Disbursements	9,461	23,108		32,569
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	9,461	23,108		32,569
Fund Cash Balances, January 1	<u>39,082</u>	<u>195,305</u>	<u>\$709</u>	<u>235,096</u>
Fund Cash Balances, December 31	<u><u>\$48,543</u></u>	<u><u>\$218,413</u></u>	<u><u>\$709</u></u>	<u><u>\$267,665</u></u>
Reserves for Encumbrances, December 31	<u><u>\$1,720</u></u>	<u><u>\$13,145</u></u>	<u><u>\$0</u></u>	<u><u>\$14,865</u></u>

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

VERMILLION TOWNSHIP
ASHLAND COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$12,913	\$183,122		\$196,035
Intergovernmental	47,696	64,269		111,965
Licenses, Permits, and Fees	2,800	5,125		7,925
Earnings on Investments	2,067	1,154		3,221
Other Revenue	1,980	5,339		7,319
	<u>67,456</u>	<u>259,009</u>		<u>326,465</u>
Cash Disbursements:				
Current:				
General Government	62,985	22		63,007
Public Safety	0	15,136		15,136
Public Works	0	171,011		171,011
Health	4,936	22,355		27,291
Conservation - Recreation	0	9,833		9,833
Capital Outlay	2,247	18,782		21,029
	<u>70,168</u>	<u>237,139</u>		<u>307,307</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(2,712)	21,870		19,158
Fund Cash Balances, January 1	41,794	173,435	\$709	215,938
Fund Cash Balances, December 31	<u>\$39,082</u>	<u>\$195,305</u>	<u>\$709</u>	<u>\$235,096</u>
Reserves for Encumbrances, December 31	<u>\$7</u>	<u>\$16,897</u>	<u>\$0</u>	<u>\$16,904</u>

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

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - NONEXPENDABLE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	Fiduciary Fund Type	
	Nonexpendable Trust	
	2002	2001
Cash Receipts:		
Earnings on Investments	\$114	\$256
Donations	6,954	
Total Cash Receipts	7,068	256
Fund Cash Balances, January 1	5,228	4,972
Fund Cash Balances, December 31	\$12,296	\$5,228

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

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**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Vermillion Township, Ashland 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, which includes road maintenance, park operations, and fire protection through a volunteer fire department.

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 are valued at cost.

Investments are included in the fund cash balances. 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.

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 has the following significant Special Revenue Funds:

Special Fire Levy Fund - This fund receives property tax money for fire protection and emergency rescue services.

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Gas Tax Fund - This fund receives gasoline taxes for the purpose of maintaining and repairing Township roads.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township has a debt service fund which generated no financial activity during 2002 and 2001.

4. Fiduciary Funds (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township has the following fiduciary fund:

Cemetery Bequests - This nonexpendable trust fund receives estate money for the purpose of maintaining the Hayesville/Vermillion Cemetery.

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 object level which is the Township's legal level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure 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 carried over, and need not be appropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$263,450	\$223,813
Certificates of deposit	16,011	16,011
U.S. Savings Bonds	500	500
Total deposits	\$279,961	\$240,324

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

Fund Type	2002 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$103,286	\$83,941	(\$19,345)
Special Revenue	234,963	276,906	41,943
Debt Service	709	0	(709)
Nonexpendable	0	7,068	7,068
Total	\$338,958	\$367,915	\$28,957

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,056	\$76,200	\$28,856
Special Revenue	434,844	266,943	167,901
Debt Service	709	0	709
Total	\$540,609	\$343,143	\$197,466

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,776	\$67,456	(\$7,320)
Special Revenue	215,079	259,009	43,930
Debt Service	709	0	(709)
Nonexpendable	0	256	256
Total	\$290,564	\$326,721	\$36,157

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,585	\$70,175	\$46,410
Special Revenue	405,599	254,036	151,563
Debt Service	709	0	709
Total	\$522,893	\$324,211	\$198,682

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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.

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. RETIREMENT SYSTEM

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

**VERMILLION TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. 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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>



**Auditor of State
Betty Montgomery**

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

Vermillion Township
Ashland County
891 CR 1904
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the accompanying financial statements of Vermillion Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 22, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 certain 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 June 22, 2003.

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Vermillion Township
Ashland County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2003



**Auditor of State
Betty Montgomery**

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VERMILLION TOWNSHIP

ASHLAND 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
JULY 31, 2003**