



**Auditor of State  
Betty Montgomery**



VERNON TOWNSHIP  
SCIOTO COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Vernon Township  
Scioto County  
P.O. Box 82  
Wheelersburg, Ohio 45694

To the Board of Township Trustees:

We have audited the accompanying financial statements of the Vernon Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Vernon Township, Scioto County, as of December 31, 2003 and 2002, 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 August 2, 2004, 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Vernon Township  
Scioto County  
Independent Accountants' Report  
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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.

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

**Betty Montgomery**  
Auditor of State

August 2, 2004

**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, 2003**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes	\$24,077	\$176,770	\$200,847
Intergovernmental	18,589	180,051	198,640
Licenses, Permits, and Fees	2,990		2,990
Earnings on Investments	6,069	4,765	10,834
Other Revenue	54	1,940	1,994
 Total Cash Receipts	 51,779	 363,526	 415,305
<b>Cash Disbursements:</b>			
Current:			
General Government	39,794		39,794
Public Safety	2,828	100,107	102,935
Public Works	845	98,178	99,023
Health	738	3,551	4,289
Miscellaneous		32,968	32,968
Debt Service:			
Redemption of Principal		38,412	38,412
Interest and Fiscal Charges		9,744	9,744
Capital Outlay	11,222	204,687	215,909
 Total Cash Disbursements	 55,427	 487,647	 543,074
 Total Cash Receipts Over/(Under) Cash Disbursements	 (3,648)	 (124,121)	 (127,769)
<b>Other Financing Receipts/(Disbursements):</b>			
Proceeds from Debt		130,650	130,650
Other Financing Uses	(127)		(127)
Sale of Assets		9,250	9,250
 Total Other Financing Receipts/(Disbursements)	 (127)	 139,900	 139,773
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (3,775)	 15,779	 12,004
 Fund Cash Balances, January 1	 52,724	 158,846	 211,570
<b>Fund Cash Balances, December 31</b>	<b>\$48,949</b>	<b>\$174,625</b>	<b>\$223,574</b>
 Reserve for Encumbrances, December 31	 \$0	 \$118	 \$118

*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, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$21,546	\$168,254	\$	\$189,800
Intergovernmental	16,659	80,924	44,680	142,263
Licenses, Permits, and Fees	3,020			3,020
Earnings on Investments	7,028	2,894		9,922
Other Revenue	591	4,043		4,634
	<u>48,844</u>	<u>256,115</u>	<u>44,680</u>	<u>349,639</u>
<b>Total Cash Receipts</b>				
	<u>48,844</u>	<u>256,115</u>	<u>44,680</u>	<u>349,639</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	40,110			40,110
Public Safety	6,708	89,436		96,144
Public Works	1,250	90,534	44,680	136,464
Health	8	9,365		9,373
Debt Service:				
Redemption of Principal		27,868		27,868
Interest and Fiscal Charges		3,518		3,518
Capital Outlay		10,339		10,339
	<u>48,076</u>	<u>231,060</u>	<u>44,680</u>	<u>323,816</u>
<b>Total Cash Disbursements</b>				
	<u>48,076</u>	<u>231,060</u>	<u>44,680</u>	<u>323,816</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>768</u>	<u>25,055</u>	<u>0</u>	<u>25,823</u>
Fund Cash Balances, January 1	<u>51,956</u>	<u>133,791</u>	<u>0</u>	<u>185,747</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$52,724</b></u>	<u><b>\$158,846</b></u>	<u><b>\$0</b></u>	<u><b>\$211,570</b></u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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



**VERNON TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Vernon Township, Scioto 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 and a publicly-elected Clerk. The Township provides road and bridge maintenance, cemetery maintenance, emergency medical services and fire protection. The Township contracts with the Vernon Township Rescue and Emergency Co., Inc., to provide ambulance services.

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. 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:

**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:

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

*Special Levy Fire Fund* - This fund receives special levy funds for fire protection services for the citizens of the Township.

*Special Levy Ambulance Fund* - This fund receives special levy funds for ambulance services for the citizens of the Township.

*Federal Emergency Management Agency Fund* - The Township received grant funds due to ice storm damage.

**VERNON TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**3. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

*Public Works Commission Projects Fund* - The Township received Issue II monies from the Ohio Public Works Commission.

**D. 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 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.

**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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**E. 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.

**VERNON TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$223,574	\$211,570

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002, follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,835	\$51,779	\$10,944
Special Revenue	323,482	503,426	179,944
Total	\$364,317	\$555,205	\$190,888

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,653	\$55,554	\$41,099
Special Revenue	479,171	487,765	(8,594)
Total	\$575,824	\$543,319	\$32,505

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,061	\$48,844	\$10,783
Special Revenue	203,208	256,115	52,907
Capital Projects	44,680	44,680	0
Total	\$285,949	\$349,639	\$63,690

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,017	\$48,076	\$41,941
Special Revenue	348,178	231,060	117,118
Capital Projects	44,680	44,680	0
Total	\$482,875	\$323,816	\$159,059

**VERNON TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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 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. DEBT**

Debt outstanding at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease Purchase Agreement	\$120,238	4.95%
Total	<u>\$120,238</u>	

The lease purchase agreement was entered into to finance the purchase of a new fire tanker. The lease is collateralized by the value of the vehicle.

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

	<u>Lease Purchase Agreement</u>
Year ending December 31:	
2004	\$16,879
2005	16,879
2006	16,879
2007	16,879
2008 – 2012	84,393
Total	<u>\$151,909</u>

**VERNON TOWNSHIP  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's elected officials and 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability
- Errors and Omissions
- Vehicles
- Public Officials' Liability

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the Federal Emergency Management Agency. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**Auditor of State  
Betty Montgomery**

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

Vernon Township  
Scioto County  
P.O. Box 82  
Wheelersburg, Ohio 45694

To the Board of Township Trustees:

We have audited the accompanying financial statements of Vernon Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 2, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 2, 2004.

**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 one other matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 2, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
www.auditor.state.oh.us

Vernon Township  
Scioto County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by Government Auditing Standards  
Page 2

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

August 2, 2004



**VERNON TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code § 505.24 states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the Township General Fund or from other township funds in such proportions as the board may specify by resolution. The Township adopted a resolution on August 6, 2002, authorizing 13.5% of the Township Trustees' salaries to be paid from the General Fund.

The Township Trustees were not paid according to this resolution. In addition, the allocation of Trustees' salaries and fringe benefits for 2002 and 2003 was not proportionate to the administrative duties actually performed by the Trustees. The Trustees were paid 100% from the Gasoline Tax Fund. Therefore, an adjustment of \$3,094.00 in 2002, and an adjustment of \$2,922.51 in 2003, was made to increase General Fund expenditures and reduce Gasoline Tax Fund expenditures by 13.5%.

We recommend that the Township Clerk pay salaries based on the resolution approved by the Township Trustees. We further recommended the Township adopt a formal resolution at the organizational meeting each year addressing the allocation of total compensation. Each resolution should address the appropriate proportions and funds from which the salaries and fringe benefits are to be paid. Benefits such as health insurance and the employer's portion of retirement and Medicare should be paid out of the same funds, and in the same proportions, as the salaries. The necessary adjustments have been made to the Township's financial statements to reflect the resolution approved at the August 6, 2002 meeting, as well as their financial records maintained by the Clerk.

**FINDING NUMBER 2003-002**

**Findings for Recovery – Repaid Under Audit**

Ohio Rev. Code § 505.24 provides that in a Township having a budget of more than two hundred fifty thousand dollars but not more than five hundred thousand dollars, the compensation for 2003 for a Trustee elected or appointed after December 8, 2000 is to be \$37.62 per day, not to exceed 200 days per year, and for a Township having a budget of more than five hundred thousand but not more than seven hundred fifty thousand dollars, the compensation for 2003 for a Trustee elected or appointed after December 8, 2000, is to be \$39.90 per day, not to exceed 200 days per year. Township Trustees, Carl Wallace and Rick Cartee, are serving terms from 1/1/2002 to 12/31/2005. The statutory salary for each Township Trustee was \$7,733.76 (\$37.62 x 108 plus \$39.90 x 92) for January 1, 2003 through December 31, 2003 based on the Original Certificate of Estimated Resources and the Amended Certificate of Estimated Resources (dated July 15, 2003). Carl Wallace and Rick Cartee each received compensation in the amount of \$7,863.14 during 2003. This resulted in an overpayment for 2003 in the amount of \$129.38, for both Township Trustees.

Salary allowed for period 1/1/2003 – 07/14/2003 Budget: \$469,106	\$4,062.96
Salary allowed for period 07/15/2003 – 12/31/2003 Budget: \$550,908	\$3,670.80
Total Salary allowed for period 01/01/2003 – 12/31/2003	\$7,733.76
Amount Paid	\$7,863.14
Overpayment	\$ 129.38

**VERNON TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2003-002 (Continued)**

**Findings for Recovery – Repaid Under Audit (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Carl Wallace, Township Trustee, and Sandra Belford, Township Clerk, jointly and severally, in the amount of one hundred eleven dollars and ninety-one cents (\$111.91), in favor of the Gasoline Tax Fund and seventeen dollars and forty-seven cents (\$17.47) in favor of the General Fund of Vernon Township.

Also, in accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Rick Cartee, Township Trustee, and Sandra Belford, Township Clerk, jointly and severally, in the amount of one hundred eleven dollars and ninety-one cents (\$111.91), in favor of the Gasoline Tax Fund and seventeen dollars and forty-seven cents (\$17.47) in favor of the General Fund of Vernon Township.

The total finding was paid by Sandra Belford on July 23, 2004, in the amount of \$258.76. The receipt was posted to Vernon Township's General Fund in the amount of \$34.94 and the Gasoline Tax Fund in the amount of \$223.82, per receipt number 53-2004.

**VERNON TOWNSHIP  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2001-40773-001	Ohio Rev. Code Section 5705.41 (B), disbursements exceeding appropriations.	Yes	Fully Corrected.
2001-40773-002	Ohio Rev. Code Section 5705.41 (D), not certifying availability of funds prior to incurring an obligation.	Yes	Fully Corrected.
2001-40773-003	Ohio Rev. Code Section 5705.40, no approval of supplemental appropriations	Yes	Fully Corrected.
2001-40774-004	Budgeted Revenue not entered into UAN system	Yes	Fully Corrected.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
SEPTEMBER 7, 2004**