

Vernon Township
Scioto County
Regular Audit
For the Years Ended December 31, 2015 and 2014



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Dave Yost • Auditor of State

Board of Trustees
Vernon Township
5924 Lick Run Lyra 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, 2014 through December 31, 2015. 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:

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 May 26, 2014, the Township Fiscal Officer was entitled to annual compensation of \$12,733, based on the Township's budget being between \$250,000 and \$500,000. The Township's Official Certificate of Estimated Resources for 2014 which was dated December 5, 2013 showed a total of \$454,048.25 and increased to \$1,051,053.03 with the Amended Official Certificate of Estimated Resources dated May 27, 2014. During May 27, 2014 through December 31, 2014, 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.

As stated above, the Fiscal Officer was entitled to be paid annual compensation of \$12,733 from January 1, 2014 through May 26, 2014. From May 27, 2014 through December 31, 2014, the Township Fiscal Officer was entitled to be paid at the annual compensation amount of \$16,977. The Township, however, erroneously paid the Fiscal Officer at an incorrect amount for January 1, 2014 to May 26, 2014. The checks issuing the incorrect payments were signed by the Trustees and the Fiscal Officer. This resulted in the Township Fiscal Officer being overpaid as follows:

Fiscal Officer Name	Ohio Rev. Code Approved Pay from January 1, 2014 to May 26, 2014	Ohio Rev. Code Approved Pay from May 27, 2014 to December 31, 2014	Total Ohio Rev. Code Approved Pay for 2014	2014 Actual Amount Paid	2014 Over / (Under) Payment
Debra Howard	\$5,093	\$10,186	\$15,279	\$16,977	\$1,698

During January 1 through February 24, 2015, 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 2015 which was dated November 28, 2014 showed a total of \$610,457.52 and increased to \$963,438.48 with the Amended Official Certificate of Estimated Resources dated February 25, 2015. During February 25, 2015 through December 31, 2015, 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.

As stated above, the Fiscal Officer was entitled to be paid annual compensation of \$14,147 from January 1, 2015 through February 24, 2015. From February 25, 2015 through December 31, 2015, the Township Fiscal Officer was entitled to be paid at the annual compensation amount of \$16,977. The Township, however, erroneously paid the Fiscal Officer at an incorrect amount for January 1, 2015 to February 24, 2015. The checks issuing the incorrect payments were signed by the Trustees and the Fiscal Officer. This resulted in the Township Fiscal Officer being overpaid as follows:

Fiscal Officer Name	Ohio Rev. Code Approved Pay from January 1, 2015 to February 24, 2015	Ohio Rev. Code Approved Pay from February 25, 2015 to December 31, 2015	Total Ohio Rev. Code Approved Pay for 2015	2015 Actual Amount Paid	2015 Over / (Under) Payment
Debra Howard	\$2,131	\$14,419	\$16,550	\$16,977	\$427

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 \$2,125 and in favor of Vernon Township, Scioto County, General Fund.

On September 29, 2016 Debra Howard made full payment in the amount of \$2,125 to the Vernon Township, Scioto County, General Fund.

Trustees Overpayment

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 May 26, 2014, the Township Trustees were entitled to annual compensation of \$8,490 or \$42.45 per day up to a maximum of 200 days, based on the Township's budget being between \$250,000 and \$500,000. The Township's Official Certificate of Estimated Resources for 2014 which was dated December

5, 2013 showed a total of \$454,048.25 and increased to \$1,051,053.03 with the Amended Official Certificate of Estimated Resources dated May 27, 2014. During May 27, 2014 through December 31, 2014, 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.

As stated above, the Trustees were entitled to be paid at the rate of \$42.45 per day from January 1, 2014 through May 26, 2014. From May 27, 2014 through December 31, 2014, 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, 2014 to May 26, 2014. 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, 2014 to May 26, 2014	Ohio Rev. Code Approved Pay from May 27, 2014 to December 31, 2014	Total Ohio Rev. Code Approved Pay for 2014	2014 Actual Amount Paid	2014 Over / (Under) Payment
Rick Cartee	\$3,396	\$6,172	\$9,568	\$10,287	\$719
Rodney Wright	\$3,396	\$6,172	\$9,568	\$10,287	\$719
Mart Wicker	\$3,396	\$6,172	\$9,568	\$10,287	\$719

During January 1 through February 24, 2015, 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 2015 which was dated November 28, 2014 showed a total of \$610,457.52 and increased to \$963,438.48 with the Amended Official Certificate of Estimated Resources dated February 25, 2015. During February 25, 2015 through December 31, 2015, 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.

As stated above, the Trustees were entitled to be paid at the rate of \$45.02 per day from January 1, 2015 through February 24, 2015. From February 25, 2015 through December 31, 2015, 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, 2015 to February 24, 2015. 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, 2015 to February 24, 2015	Ohio Rev. Code Approved Pay from February 25, 2015 to December 31, 2015	Total Ohio Rev. Code Approved Pay for 2015	2015 Actual Amount Paid	2015 Over / (Under) Payment
Rick Cartee	\$1,356	\$8,738	\$10,094	\$10,287	\$193
Rodney Wright	\$1,356	\$8,738	\$10,094	\$10,287	\$193
Mart Wicker	\$1,356	\$8,738	\$10,094	\$10,287	\$193

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, Rodney Wright, and Mart Wicker, Vernon Township Trustees, and their surety company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$912 for Rick Cartee, \$912 for Rodney Wright, and \$912 for Mart Wicker and in favor of Vernon Township, Scioto County, General Fund in the amount of \$91 and Gasoline Tax Fund in the amount of \$821.

When informed of these facts, the Township Trustees approved a resolution on July 7, 2016 for Rick Cartee to have \$100 withheld each month from his salary until the amount of \$912 has been paid back to Vernon Township. The agreement also stated that if he is still liable for the total amount if he is no longer serving as Trustee. As of October 1, 2016, Rick Cartee has paid \$300 and the outstanding amount is \$612, in favor of Vernon Township, Scioto County General Fund in the amount of \$61 and the Gasoline Tax Fund in the amount of \$551.

When informed of these facts, Rodney Wright repaid Vernon Township \$912 on July 7, 2016. His finding has been repaid in full.

When informed of these facts, the Township Trustees approved a resolution on July 7, 2016 for Mart Wicker to have \$54 withheld each month from his salary until the amount of \$912 has been paid back to Vernon Township. The agreement also stated that if he is still liable for the total amount if he is no longer serving as Trustee. As of October 1, 2016, Mart Wicker has paid \$162 and the outstanding amount is \$750, in favor of the Vernon Township, Scioto County General Fund in the amount of \$75 and the Gasoline Tax Fund in the amount of \$675.

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.

Board of Trustees
Vernon Township
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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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

October 24, 2016

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Vernon Township
Scioto County
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For the Years Ended December 31, 2015 and 2014

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Independent Auditor's Report

Board of Trustees
Vernon Township
Scioto County
5924 Lick Run Lyra Road
Wheelersburg, Ohio 45694

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Vernon Township, Scioto County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 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 opinions.

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

As described in Note 1 of the financial statements, the Township has 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, 2015 and 2014, 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 24, 2016, 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.

Vernon Township
Scioto County
Independent Auditor's Report
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A handwritten signature in black ink that reads "Natalie Millhuff-Stang". The signature is written in a cursive style with a large initial 'N' and 'S'.

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

June 24, 2016

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, 2015

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$38,697	\$279,912	\$318,609
Licenses, Permits, and Fees	9,368	0	9,368
Intergovernmental	31,785	135,225	167,010
Earnings on Investments	1,828	407	2,235
Miscellaneous	3,428	6,844	10,272
Total Cash Receipts	85,106	422,388	507,494
Cash Disbursements:			
Current:			
General Government	57,720	954	58,674
Public Safety	4,924	155,909	160,833
Public Works	0	234,935	234,935
Health	19,237	0	19,237
Human Services	5,050	0	5,050
Conservation and Recreation	1,882	840	2,722
Capital Outlay	0	289,857	289,857
Debt Service:			
Redemption of Principal	0	95,907	95,907
Interest and Other Fiscal Charges	0	10,998	10,998
Total Cash Disbursements	88,813	789,400	878,213
Total Cash Receipts Over/(Under) Cash Disbursements	(3,707)	(367,012)	(370,719)
Other Financing Receipts:			
Other Debt Proceeds	0	155,962	155,962
Sale of Fixed Assets	8,000	0	8,000
Total Other Financing Receipts	8,000	155,962	163,962
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	4,293	(211,050)	(206,757)
Fund Cash Balances, January 1	(829)	519,119	518,290
Restricted for:			
Cemetery	0	10,036	10,036
Emergency Medical Service	0	21,669	21,669
Fire Operations	0	175,437	175,437
Recreation Program	0	1,196	1,196
Road and Bridge Maintenance and Improvements	0	65,234	65,234
Committed	0	36,069	36,069
Unassigned (Deficit)	3,464	(1,572)	1,892
Fund Cash Balances, December 31	\$3,464	\$308,069	\$311,533

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, 2014

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$35,491	\$221,343	\$256,834
Licenses, Permits, and Fees	9,246	0	9,246
Intergovernmental	18,725	127,564	146,289
Earnings on Investments	2,362	868	3,230
Miscellaneous	4,349	7,449	11,798
Total Cash Receipts	70,173	357,224	427,397
Cash Disbursements:			
Current:			
General Government	70,416	267	70,683
Public Safety	4,751	115,976	120,727
Public Works	49,999	219,480	269,479
Health	16,655	794	17,449
Conservation/Recreation	2,159	0	2,159
Capital Outlay	0	21,307	21,307
Debt Service:			
Redemption of Principal	0	14,118	14,118
Interest and Other Fiscal Charges	0	5,169	5,169
Total Cash Disbursements	143,980	377,111	521,091
Total Cash Receipts Over/(Under) Cash Disbursements	(73,807)	(19,887)	(93,694)
Other Financing Receipts (Disbursements):			
Other Financing Sources	0	208,996	208,996
Transfers In	14,305	9,565	23,870
Transfers Out	(9,565)	(14,305)	(23,870)
Total Other Financing Receipts (Disbursements)	4,740	204,256	208,996
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(69,067)	184,369	115,302
Fund Cash Balances, January 1	68,238	334,750	402,988
Restricted for:			
Cemetery	0	6,986	6,986
Emergency Medical Service	0	9,875	9,875
Fire Operations	0	328,813	328,813
Recreation Program	0	4,872	4,872
Road and Bridge Maintenance and Improvements	0	110,947	110,947
Committed	0	57,626	57,626
Unassigned (Deficit)	(829)	0	(829)
Fund Cash Balances, December 31	(\$829)	\$519,119	\$518,290

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, 2015 and 2014

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
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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 2015 and 2014 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, 2015 and 2014

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:

	2015	2014
Demand Deposits	\$311,533	\$518,290

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,924	\$93,106	\$27,182
Special Revenue	387,255	578,350	191,095
Total	\$453,149	\$671,456	\$218,277

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,200	\$88,813	\$58,387
Special Revenue	838,000	789,400	48,600
Total	\$985,200	\$878,213	\$106,987

Vernon Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 3 – Budgetary Activity (Continued)

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,380	\$84,478	\$(15,902)
Special Revenue	562,391	575,785	13,394
Total	\$662,771	\$660,263	\$(2,508)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,600	\$153,545	\$(2,945)
Special Revenue	512,099	391,416	120,683
Total	\$662,699	\$544,961	\$117,738

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, 2015 was as follows:

	Principal	Interest Rate
2005 Fire Truck Lease Purchase	\$142,784	3.69%

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. The debt was fully paid in 2015.

On January 19, 2015, the Township entered into a lease/purchase agreement in the amount of \$155,962 to finance the purchase of a fire truck.

Vernon Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Debt (Continued)

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

Year Ending December 31:	Fire Truck
2016	\$18,933
2017	18,933
2018	18,933
2019	18,933
2020	18,933
2021-2024	<u>75,732</u>
Total	<u><u>\$170,397</u></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 2015 and 2014, 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, 2015.

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, 2015, 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
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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, 2015 and 2014:

	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	(8,418,518)	(8,912,432)
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 million and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township’s share of these unpaid claims collectable in future years is approximately \$10,000.

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>	
2015	2014
\$18,386	\$15,678

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 commitments.

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

Vernon Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 9 – Compliance (Continued)

Contrary to Ohio Revised Code 5705.39, the Township had appropriations in excess of estimated resources in 2014 and 2015.

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

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
5924 Lick Run Lyra 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, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 24, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002 that we consider 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*

Page 2

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 2015-003 through 2015-006.

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.
Portsmouth, Ohio

June 24, 2016

Vernon Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2015-001

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 2015 and 2014, the Township erroneously posted receipts and disbursements to the incorrect accounts, and, in certain instances, funds. 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:

The Fiscal Officer will consult outside sources if in doubt as to where to post specific revenues/expenditures. The Fiscal Officer will make an effort to ensure items are posted appropriately.

Finding Number 2015-002

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. Instances were identified in both years of the audit period where budgetary allocations recorded within UAN were not in agreement with the Board-approved documents. The Township should review budgeting and accounting processes and implement the appropriate steps to ensure that budgeted information within the accounting system is in agreement with formal approved documents.

Township Response:

The Fiscal Officer has made several corrections/adjustments to the 2016 budgetary information, will monitor and make additional adjustments when needed and correct errors in entries made by previous Fiscal Officer.

Vernon Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Finding Number 2015-003

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:

For 2016, blanket certificates, purchase orders, and several then and now purchase orders have been written. Purchase orders and blanket purchase orders have been written in advance to cover upcoming expenditures, and trustees have authorized expenditures before payments are made.

Finding Number 2015-004

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 2015 and 2014. 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.

Vernon Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Township Response:

The Fiscal Officer will regularly monitor appropriations and available resources to ensure appropriations do not exceed available resources. The Fiscal Officer has revised what was entered for 2016 by the previous fiscal officer making corrections where necessary.

Finding Number 2015-005

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 2014 and 2015. 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 review estimated resources reports and monitor appropriations to ensure appropriations do not exceed estimated resources.

Finding Number 2015-006

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 changed throughout both 2014 and 2015, however it appears that the Township did not adjust the pay of the Fiscal Officer nor the Trustees to reflect the change in resources. The Township should ensure the appropriate adjustments are made to elected official salaries when the budget falls into a different threshold set forth by the ORC.

Township Response:

The Fiscal Officer has a copy of both compensation charts which will be viewed by the auditor to ensure the charts are the correct ones. The budget is viewed periodically to ensure compensation is adjusted accordingly.

**Vernon Township
Scioto County**

*Schedule of Prior Audit Findings
For the Years Ended December 31, 2015 and 2014*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2013-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2015-001
Finding 2013-002	Material Weakness – Budgetary Information Within Accounting System	No	Reissued as Finding 2015-002
Finding 2013-003	Noncompliance Citation – Ohio Revised Code Section 5705.41(D)	No	Reissued as Finding 2015-003
Finding 2013-004	Noncompliance Citation – Ohio Revised Code Section 5705.36(A)(2)	No	Reissued as Finding 2015-004
Finding 2013-005	Noncompliance Citation – Ohio Revised Code Section 5705.39	No	Reissued as Finding 2015-005
Finding 2013-006	Noncompliance Citation – Ohio Revised Code Section 505.24 and 507.29	No	Reissued as Finding 2015-006

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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
NOVEMBER 10, 2016**