



OHIO AUDITOR OF STATE  
**KEITH FABER**





VERNON TOWNSHIP  
SCIOTO COUNTY

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Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Vernon Township  
Scioto County  
P.O. Box 204  
Wheelersburg, Ohio 45694

To the Board of Trustees:

### ***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 the Vernon Township, Scioto County, Ohio (the Township) as of and for the years ended December 31, 2019 and December 31, 2018.

### ***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 such 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (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, 2019 and December 31, 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Vernon Township, Scioto County as of December 31, 2019 and December 31, 2018, 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 2.

***Emphasis of Matter***

As discussed in Note 11 to the 2019 financial statements and Note 11 to the 2018 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2020, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

June 19, 2020

**Vernon Township**  
*Scioto County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2019*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$45,934	\$348,931	\$0	\$394,865
Licenses, Permits and Fees	9,034	0	0	9,034
Intergovernmental	26,373	170,155	60,000	256,528
Earnings on Investments	2,044	102	0	2,146
Miscellaneous	4,138	6,363	0	10,501
<i>Total Cash Receipts</i>	<u>87,523</u>	<u>525,551</u>	<u>60,000</u>	<u>673,074</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	66,142	4,000	0	70,142
Public Safety	6,375	186,233	0	192,608
Public Works	0	264,678	0	264,678
Health	0	11,061	0	11,061
Conservation-Recreation	500	0	0	500
Capital Outlay	0	58,438	60,000	118,438
Debt Service:				
Principal Retirement	0	44,217	0	44,217
Interest and Fiscal Charges	0	4,948	0	4,948
<i>Total Cash Disbursements</i>	<u>73,017</u>	<u>573,575</u>	<u>60,000</u>	<u>706,592</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,506</u>	<u>(48,024)</u>	<u>0</u>	<u>(33,518)</u>
<b>Other Financing Receipts:</b>				
Inception of Capital Lease	0	55,552	0	55,552
Sale of Capital Assets	0	33,428	0	33,428
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>88,980</u>	<u>0</u>	<u>88,980</u>
<i>Net Change in Fund Cash Balances</i>	<u>14,506</u>	<u>40,956</u>	<u>0</u>	<u>55,462</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 10)</i>	<u>101,126</u>	<u>211,415</u>	<u>0</u>	<u>312,541</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	249,611	0	249,611
Committed	0	2,760	0	2,760
Unassigned (Deficit)	115,632	0	0	115,632
<i>Fund Cash Balances, December 31</i>	<u>\$115,632</u>	<u>\$252,371</u>	<u>\$0</u>	<u>\$368,003</u>

See accompanying notes to the basic financial statements

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**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting 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 6 to the financial statements provides additional information for this entity. This organization is the 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.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

**Fund Accounting**

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

*General Fund* – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

*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.

*Capital Projects Funds* – These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

*Ohio Public Works Fund* – The Township received a grant from the State of Ohio to pave Chamberlin Rd, Turkey Foot Rd, Vernon Cemetery Rd, and Edward Jones Rd.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Basis of Accounting**

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**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. Unencumbered appropriations lapse at year-end.

*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 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 2019 budgetary activity appears in note 3.

**Deposits**

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

**Capital Assets**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**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.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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*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.

*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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,701	\$87,523	\$20,822
Special Revenue	498,057	614,531	116,474
Capital Projects	60,000	60,000	0
Total	\$624,758	\$762,054	\$137,296

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,678	\$73,017	\$94,661
Special Revenue	708,985	573,575	135,410
Capital Projects	60,000	60,000	0
Total	\$936,663	\$706,592	\$230,071

**Note 4- Deposits**

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2019 was as follows:

Demand Deposits     \$368,003

*Deposits* – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or 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 6 – Risk Management**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019:
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits**

**Ohio Public Employees 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 2019, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits continued**

**Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**Note 8 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2015 Fire Truck Lease Purchase	\$85,026	3.69%
2018 Tractor Lease Purchase	16,370	4.48%
2019 Excavator Lease Purchase	45,545	3.22%
Total	\$146,941	

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.

On December 17, 2016, the Township entered into a lease/purchase agreement in the amount of \$25,077 to finance the purchase of a truck. This lease/purchase was paid off in 2019.

On July 10, 2018, the Township entered into a lease/purchase agreement in the amount of \$24,563 to finance the purchase of a tractor.

On August 15, 2019, the Township entered into a lease/purchase agreement in the amount of \$55,552 to finance the purchase of an excavator.

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

Year Ending December 31:	Fire Truck	Tractor	Excavator
2020	\$18,933	\$6,728	\$10,008
2021	18,933	6,729	10,008
2022	18,933	3,925	10,008
2023	18,933	0	10,008
2024	18,933	0	10,007
Total	\$94,665	\$17,382	\$50,039

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 9 – 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.

**Litigation**

The Township is not currently party to legal proceedings.

**Note 10 – Restatement of Balances**

The January 1, 2019 balances were restated for the General and Special Revenue Funds due to outstanding checks written in prior years that were voided during 2019.

Fund Type	December 31, 2018 Audited Balance	January 1, 2019 Restated Balance	Restatement Amount
Special Revenue	\$211,240	\$211,415	\$175

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The Township's investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either, federal or state, cannot be estimated.

**Vernon Township**  
*Scioto County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$45,246	\$340,179	\$385,425
Licenses, Permits and Fees	7,231	0	7,231
Intergovernmental	36,253	130,555	166,808
Earnings on Investments	2,075	104	2,179
Miscellaneous	10,801	32,170	42,971
<i>Total Cash Receipts</i>	<u>101,606</u>	<u>503,008</u>	<u>604,614</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	66,073	6,430	72,503
Public Safety	8,037	243,290	251,327
Public Works	0	155,851	155,851
Health	45	526	571
Human Resources	12,000	1,000	13,000
Conservation-Recreation	2,478	0	2,478
Capital Outlay	0	226,205	226,205
Debt Service:			
Principal Retirement	0	23,068	23,068
Interest and Fiscal Charges	0	5,571	5,571
<i>Total Cash Disbursements</i>	<u>88,633</u>	<u>661,941</u>	<u>750,574</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,973</u>	<u>(158,933)</u>	<u>(145,960)</u>
<b>Other Financing Receipts:</b>			
Inception of Capital Lease	0	24,563	24,563
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>24,563</u>	<u>24,563</u>
<i>Net Change in Fund Cash Balances</i>	<u>12,973</u>	<u>(134,370)</u>	<u>(121,397)</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 10)</i>	<u>88,153</u>	<u>345,610</u>	<u>433,763</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	202,996	202,996
Committed	0	8,244	8,244
Unassigned (Deficit)	101,126	0	101,126
<i>Fund Cash Balances, December 31</i>	<u>\$101,126</u>	<u>\$211,240</u>	<u>\$312,366</u>

*See accompanying notes to the basic financial statements*

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**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

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The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is the 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.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

**Fund Accounting**

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*Special Revenue Funds* – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant special revenue funds:

*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.

**Basis of Accounting**

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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. Unencumbered appropriations lapse at year-end.

*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 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 2018 budgetary activity appears in note 3.

**Deposits**

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

**Capital Assets**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**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.

*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.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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*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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,151	\$101,606	\$33,455
Special Revenue	485,303	527,571	42,268
Total	\$553,454	\$629,177	\$75,723

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,884	\$88,782	\$67,102
Special Revenue	830,451	662,253	168,198
Total	\$986,335	\$751,035	\$235,300

**Note 4 – Deposits**

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2018 was as follows:

Demand Deposits     \$312,366

*Deposits* – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or 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.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

**Note 6 – Risk Management**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

2018:	
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits**

**Ohio Public Employees 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 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

**Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 8 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
2015 Fire Truck Lease Purchase	\$100,260	3.69%
2016 Truck Lease Purchase	13,138	4.73%
2018 Tractor Lease Purchase	22,210	4.48%
Total	\$135,608	

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.

On December 17, 2016, the Township entered into a lease/purchase agreement in the amount of \$25,077 to finance the purchase of a truck.

On July 10, 2018, the Township entered into a lease/purchase agreement in the amount of \$24,563 to finance the purchase of a tractor.

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

Year Ending December 31:	Fire Truck	Truck	Tractor
2019	\$18,933	\$6,902	\$6,728
2020	18,933	6,903	6,728
2021	18,933	0	6,728
2022	18,933	0	3,925
2023	18,933	0	0
2024	18,933	0	0
Total	\$113,598	\$13,805	\$24,109

**Note 9 – 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.

**Litigation**

The Township is not currently party to legal proceedings.

**Vernon Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 10 – Restatement of Balance**

The January 1, 2018 balances were restated for the General and Special Revenue Funds due to outstanding checks written in prior years that were voided during 2018.

Fund Type	December 31, 2017 Audited Balance	January 1, 2018 Restated Balance	Restated Amount
General	\$87,733	\$88,153	\$420
Special Revenue	\$345,523	\$345,610	\$87
Total	\$433,256	\$433,763	\$507

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The Township’s investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either, federal or state, cannot be estimated.

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Vernon Township  
Scioto County  
P.O. Box 204  
Wheelersburg, Ohio 45694

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Vernon Township, Scioto County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2020 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2019-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

June 19, 2020



VERNON TOWNSHIP  
SCIOTO COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing, and maintaining internal controls relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township misclassified and misposted various revenues and expenditures in the annual financial report submitted to the Auditor of State for fiscal years 2019 and 2018, as follows:

*December 31, 2019 Financial Statements:*

- Proceeds from sale of asphalt roller, chipper, and sealer receipt in the amount of \$22,500 was recorded in the Gasoline Tax Fund as a Miscellaneous receipt instead of Sale of Capital Assets.
- Proceeds from sale of fire truck receipt in the amount of \$10,928 was recorded in the Fire Fund as a Miscellaneous receipt instead of Sale of Capital Assets.
- Principal payment in the amount of \$5,000 was recorded in the Gasoline Tax Fund as Capital Outlay instead of the Road and Bridge Fund as Principal Retirement.
- Principal payment in the amount of \$5,007 was recorded in the Road and Bridge Fund as Capital Outlay instead of the Principal Retirement.
- Fund Balance in the amount of \$2,760 was recorded in the Road and Bridge Fund as Restricted instead of Committed.
- Worker's compensation rebate in the amount of \$2,725 was recorded in the General Fund instead of \$934 to the Road and Bridge Fund and \$1,791 to the Fire Fund.
- State Fire Marshall grant in the amount of \$20,000 was recorded as Miscellaneous receipts in the Fire Fund instead of Intergovernmental.
- On behalf activity related to an Ohio Public Works Commission Project paving grant was not recorded, thus, the Capital Projects Fund Intergovernmental receipts and Capital Outlay disbursements were both understated by \$60,000. See Auditor of State Bulletins 2000-008 and 2002-004.
- Capital Lease Inception in the amount of \$55,552 was not recorded in the Road and Bridge Fund as Other Financing Sources – Inception of Capital Lease and corresponding Capital Outlay disbursements, in accordance with page D-62 of the Ohio Township Handbook located at <http://www.ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf>.

**FINDING NUMBER 2019-001  
(Continued)**

*December 31, 2018 Financial Statements:*

- Tax receipts in the amount of \$3,176 were recorded in General Fund as Intergovernmental receipts instead of Tax receipts.
- Monies from Scioto County for timber sales in the amount of \$14,790 were recorded in General Fund as Miscellaneous receipts instead of Intergovernmental receipts.
- Tax receipts in the amount of \$4,179 were recorded in Road & Bridge Fund as Intergovernmental receipts instead of Tax receipts.
- Tax receipts in the amount of \$5,877 were recorded in Fire Fund as Intergovernmental receipts instead of Tax receipts.
- Tax receipts in the amount of \$4,012 were recorded in Emergency Services Fund as Intergovernmental receipts instead of Tax receipts.
- Capital Lease Inception in the amount of \$24,563 was not recorded in the Permissive Motor Vehicle License Tax Fund as Other Financing Sources – Inception of Capital Lease and corresponding Capital Outlay disbursements, in accordance with page D-62 of the Ohio Township Handbook located at <http://www.ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf>.

The Township has adjusted the financial statements and accounting system, where appropriate, to correct these errors.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Township Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

We also recommend the Township Fiscal Officer refer to the Ohio Township Handbook, Auditor of State Bulletins 2000-008 and 2002-004 and also take due care in posting transactions in order to ensure the annual financial statements reflect the appropriate activity for the Township's receipts and disbursements.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**Vernon Township**  
**Scioto County**  
P.O. Box 204  
Wheelersburg, OH 45694

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**For the Years Ended December 31, 2019 and 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	<b>Material Weakness – Financial Reporting</b>	Not Corrected	Reissued as Finding 2019-001
2017-002	<b>Material Weakness – Budgetary Information within UAN System</b>	Fully Corrected	
2017-003	<b>Noncompliance Citation – Ohio Revised Code Section 5705.41(B)</b>	Fully Corrected	
2017-004	<b>Noncompliance Citation – Ohio Revised Code Section 5705.36(A)(2)</b>	Fully Corrected	
2017-005	<b>Noncompliance Citation – Ohio Revised Code Section 5705.39</b>	Fully Corrected	
2017-006	<b>Noncompliance Citation – Ohio Revised Code Section 5705.38(A)</b>	Fully Corrected	

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
JULY 7, 2020**