



**VERNON TOWNSHIP
CRAWFORD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 - 2018

VERNON TOWNSHIP
CRAWFORD COUNTY

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INDEPENDENT AUDITOR'S REPORT

Vernon Township
Crawford County
7600 Cole Road
Crestline, Ohio 44827

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, Crawford County, Ohio (the Township) as of and for the years ended December 31, 2019 and 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 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 Vernon Township, Crawford County as of December 31, 2019 and 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 10 to the financial statements, during 2020, 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 May 28, 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.

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

Keith Faber
Auditor of State

Columbus, Ohio

May 28, 2020

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**Vernon Township
Crawford County, Ohio**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$53,824	\$48,803	\$102,627
Intergovernmental	19,910	154,740	174,650
Earnings on Investments	1,638	2,360	3,998
Miscellaneous	7,327	9,129	16,456
<i>Total Cash Receipts</i>	<u>82,699</u>	<u>215,032</u>	<u>297,731</u>
Cash Disbursements			
Current:			
General Government	36,963	18,743	55,706
Public Safety	-	379	379
Public Works	-	129,421	129,421
Health	14,448	960	15,408
Capital Outlay	7,500	63,657	71,157
Debt Service:			
Interest and Fiscal Charges	-	6,974	6,974
<i>Total Cash Disbursements</i>	<u>58,911</u>	<u>220,134</u>	<u>279,045</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,788</u>	<u>(5,102)</u>	<u>18,686</u>
Other Financing Receipts			
Loans Issued	-	25,000	25,000
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
<i>Net Change in Fund Cash Balances</i>	23,788	19,898	43,686
<i>Fund Cash Balances, January 1</i>	<u>52,721</u>	<u>162,432</u>	<u>215,153</u>
Fund Cash Balances, December 31			
Restricted	-	150,316	150,316
Committed	-	32,014	32,014
Assigned	66,508	-	66,508
Unassigned	10,001	-	10,001
<i>Fund Cash Balances, December 31</i>	<u>\$76,509</u>	<u>\$182,330</u>	<u>\$258,839</u>

See accompanying notes to the basic financial statements

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**Vernon Township
Crawford County**

**Notes to the Financial Statements
For the fiscal year ending December 31, 2019**

NOTE 1 – REPORTING ENTITY

Vernon Township, Crawford County, Ohio is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Three publicly elected trustees direct Vernon Township. Vernon Township provides road and cemetery maintenance. Vernon Township is also a member of the Central Joint Ambulance District, which contracts with the Portsmouth Excellency Ambulance Service, Inc. Vernon Township also contracts with the Tiro-Auburn Volunteer Fire Department for first responder and fire services.

Vernon Township believes that the financial statements present all activities for which the township is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Cash and Investments

To improve cash management, cash received by Vernon Township is pooled and invested. Individual fund integrity is maintained through Vernon Township records. Interest in the pool is reinvested as equity in cash and cash equivalents. Vernon Township has an investment account with StarOhio.

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:

The Gas Tax Fund – This fund receives revenue from taxes charged for the sale of gasoline and fuel in the county. The receipts are used for administrative fees related to roadwork, bond or debt repayment, as well as roadwork and road related expenses.

Vernon Township
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2019
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The following elements are considered when budgeting for the new fiscal year:

- a) Estimated Resources – Estimated resources include estimates of cash to be received plus cash carried over from the previous year. The Crawford County Budget Commission must approve the estimated resources.
- b) 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 of Vernon Township must annually approve the appropriations resolution and subsequent amendments.
- c) Encumbrances – The Ohio Revised Code requires Vernon Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at the year-end are canceled or can be carried-over into the new year.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. 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 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.

Vernon Township
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2019
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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 – DEPOSITS AND INVESTMENTS

Vernon Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carry-over amount of cash and investments on December 31, 2019 were:

FC Bank – \$103,559
StarOhio - \$155,280

Deposits - Deposits are insured by the Federal Depository Insurance Company. The CNB or FC Bank will secure all deposits under Section 135.18 or Section 135.181 of the Ohio Revised Code. A current depository agreement is on file with the township office.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

NOTE 4 – BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$79,355	\$82,699	\$3,344
Special Revenue	<u>185,255</u>	<u>240,032</u>	<u>54,777</u>
Total	<u>\$264,610</u>	<u>\$322,731</u>	<u>\$58,121</u>

Budgeted vs. Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriated Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$122,076	\$58,911	\$63,165
Special Revenue	<u>271,335</u>	<u>220,134</u>	<u>51,201</u>
Total	<u>\$393,411</u>	<u>\$279,045</u>	<u>\$114,366</u>

**Vernon Township
Crawford County**

**Notes to the Financial Statements
For the fiscal year ending December 31, 2019
(Continued)**

NOTE 5 – PROPERTY TAX

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 these credits and/or deduction 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.

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

NOTE 6 – DEBT SERVICE

Vernon Township had two loans outstanding: a 2017 Chevrolet Silverado pickup truck and a 2003 John Deer Tractor and mower. The total purchase price for the 2017 Chevrolet Silverado pickup truck was \$29,533.15. A down payment of \$10,000.00 was made with the remainder of the amount funded through Kansas State Bank. The total purchase price of the 2003 John Deer tractor/mower was \$40,000.00. A down payment of \$15,000.00 was made with the remainder of the amount funded through Kansas State Bank. The payment schedule for each loan is as follows:

Chevrolet Truck

Final Payment For Truck	Payment Amount	Principal	Interest
July 24, 2020	6974.71	6737.55	237.16

John Deere Tractor/Mower Payment

Due Date	Payment	Interest	Principal	Purchase Opt.
1. Jan. 28, 2020	\$13,407.03	\$1,200.00	\$12,207.03	\$12,854.29
2. Jan. 28, 2021	13,407.03	614.06	12,792.97	00.00

NOTE 7 – RETIREMENT SYSTEM

Vernon Township's officials belong to the Ohio Public Employee Retirement System (OPERS). OPERS is a cost sharing multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor disability benefits and annual cost of livings adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report that may be obtained by calling (614)222-6705. At year-end 2019, Vernon Township officials contributed 10% of their gross wages with Vernon Township contributing 14% for a combined total of \$9,983.76. Vernon Township has no employees, and does not pay any health care insurance benefits to our officials.

Vernon Township
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2019
(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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.

Vernon Township
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2019
(Continued)

NOTE 9 – RISK POOL MANAGEMENT

Risk Pool Membership

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 (latest information available)

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

NOTE 10 – 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 impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Vernon Township
Crawford County, Ohio**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$36,842	\$33,230	\$70,072
Intergovernmental	20,933	128,268	149,201
Earnings on Investments	803	1,472	2,275
Miscellaneous	879	19,101	19,980
<i>Total Cash Receipts</i>	<u>59,457</u>	<u>182,071</u>	<u>241,528</u>
Cash Disbursements			
Current:			
General Government	35,128	14,722	49,850
Public Safety	-	253	253
Public Works	-	138,024	138,024
Health	10,527	400	10,927
Debt Service:			
Interest and Fiscal Charges	-	6,975	6,975
<i>Total Cash Disbursements</i>	<u>45,655</u>	<u>160,374</u>	<u>206,029</u>
<i>Net Change in Fund Cash Balances</i>	13,802	21,697	35,499
<i>Fund Cash Balances, January 1</i>	<u>38,919</u>	<u>140,735</u>	<u>179,654</u>
Fund Cash Balances, December 31			
Restricted	-	121,028	121,028
Committed	-	41,404	41,404
Assigned	42,721	-	42,721
Unassigned (Deficit)	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<i>Fund Cash Balances, December 31</i>	<u>\$52,721</u>	<u>\$162,432</u>	<u>\$215,153</u>

See accompanying notes to the basic financial statements

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**Vernon Township
Crawford County**

**Notes to the Financial Statements
For the fiscal year ending December 31, 2018**

NOTE 1 – REPORTING ENTITY

Vernon Township, Crawford County, Ohio is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Vernon Township is directed by three publicly elected trustees. Vernon Township provides road maintenance and cemetery maintenance. Vernon Township is also a member of the Crawford County Joint Ambulance District, which contracts with Life Support Team, LLC until October 31, 2018, then Portsmouth Ambulance will take over from that point. Vernon Township also contracts with Tiro-Auburn Volunteer Fire Department for fire and first responder services.

Vernon Township believes that the financial statements present all activities for which the township is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

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.

Cash and Investments

To improve cash management, cash received by Vernon Township is pooled and invested. Individual fund integrity is maintained through Vernon Township records. Interest in the pool is reinvested as equity in pooled cash and cash equivalents. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively. Vernon Township has an investment account with StarOhio.

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.

Vernon Township
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2018
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Accounting (Continued)

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:

The Gas Tax Fund – This fund receives revenue from taxes charged for the sale of gasoline in the county. The receipts are used for administrative fees related to road work, and sometimes bond or debt related payments, road contracts, road materials, and repairs of equipment.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The following elements are considered when budgeting for the new year:

- a) Estimated Resources – Estimated resources include estimates of cash to be received plus cash carried over from the previous year. The Crawford County Budget Commission must approve the estimated resources.
- b) 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 of Vernon Township must annually approve the appropriation resolution and subsequent amendments.
- c) Encumbrances – The Ohio Revised Code requires Vernon Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding a year-end are canceled or can be carried over if necessary.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. 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
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2018
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Balance (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 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 – DEPOSITS AND INVESTMENTS

Vernon Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at the year end of 2018 is as follows:

FC or CNB Bank	\$63,429
StarOhio	\$151,724

Deposits – Vernon Township deposits are insured by the Federal Depository Insurance Company. The CNB or FC Bank will secure all deposits at the banks option under either Section 135.18 or Section 135.181 of the Ohio Revised Code. A current depository agreement is on file with the township office.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Vernon Township
Crawford County**

**Notes to the Financial Statements
For the fiscal year ending December 31, 2018
(Continued)**

NOTE 4 – BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts
Favorable vs. (unfavorable)

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$62,232	\$59,457	(\$2,775)
Special Revenue	<u>178,748</u>	<u>182,071</u>	<u>3,323</u>
Total	<u>\$240,980</u>	<u>\$241,528</u>	<u>\$548</u>

Budgeted vs. Budgetary Expenditures
Favorable vs. (unfavorable)

<u>Fund Type</u>	<u>Appropriated Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$91,150	\$45,655	\$45,495
Special Revenue	<u>249,135</u>	<u>160,374</u>	<u>88,761</u>
Total	<u>\$340,285</u>	<u>\$206,029</u>	<u>\$134,256</u>

NOTE 5 – PROPERTY TAX

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 these credits and/or deduction 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.

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

NOTE 6 – DEBT SERVICE

In 2017, Vernon Township purchased a 2017 Chevrolet Silverado pick-up truck. The total purchase price was \$29,533.15. A down payment of \$10,000.00 was made with the remainder of the amount funded through Kansas State Bank, Manhattan, Kansas, to be paid back in three consecutive years. The payment schedule is as follows:

Debt Service schedule

<u>Payment date</u>	<u>Payment amount</u>	<u>Principal</u>	<u>Interest</u>
July 24, 2019	\$6,974.71	\$6,508.45	\$466.26
July 24, 2020	\$6,974.71	\$6,737.55	\$237.16

Vernon Township
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2018
(Continued)

NOTE 7 – RETIREMENT SYSTEM

Vernon Township's officials belong to the Ohio Public Employee Retirement System (OPERS). OPERS is a cost sharing multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor disability benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report that may be obtained by calling (614)222-6705. At year-end 2018, Vernon Township officials contributed 10% of their gross wages with Vernon Township contributing 14% for a combined total of \$ 10,108.56. Vernon Township has no employees, and does not pay any health insurance benefits to our officials.

NOTE 8 – POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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.

NOTE 9 - RISK POOL MANAGEMENT

Risk Pool Membership

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

Vernon Township
Crawford County

Notes to the Financial Statements
For the fiscal year ending December 31, 2018
(Continued)

NOTE 10 – 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 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



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

Vernon Township
Crawford County
7600 Cole Road
Crestline, Ohio 44827

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, Crawford County, Ohio, (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 May 28, 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

May 28, 2020

**VERNON TOWNSHIP
CRAWFORD 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 – Financial Reporting

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 control 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 did not have sufficient internal controls in place to help ensure receipts and fund balances were properly classified on the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54. As a result, the 2018 and 2019 General fund balance was reclassified from unassigned to assigned in the amounts of \$42,721 and \$66,508, respectively. Additionally, for 2019, \$6,525 was reclassified from miscellaneous receipts to sale of assets in the General Fund. An adjustment was made for 2019 of \$25,000 to record loan proceeds and capital outlay disbursements in the Special Revenue Fund. The Township has recorded these reclassifications and adjustments to the financial statements and accounting records.

The following reclassifications were also reported to management as unadjusted differences:

- Reclassifications in 2018 and 2019 of principal recorded as interest and fiscal charges in the Special Revenue Fund of \$6,287 and \$6,508, respectively.
- A reclassification in 2019 of \$8,475 from miscellaneous receipts to sale of assets in the Special Revenue Fund.

Furthermore, the 2018 and 2019 notes to the financial statements prepared by the Township's Fiscal Officer required multiple corrections. Note disclosures which required significant modifications included summary of significant accounting policies, property tax, and postemployment benefits.

By not ensuring proper financial statement presentation, the Township cannot report accurate financial activity to its constituents.

The Township should implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

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

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OHIO AUDITOR OF STATE KEITH FABER



VERNON TOWNSHIP

CRAWFORD 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 9, 2020**