



**CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Cherry Valley Township
4045 Russell Road
Dorset, Ohio 44032

We have reviewed the *Independent Auditor's Report* of Cherry Valley Township, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. 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.

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. Cherry Valley Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 10, 2020

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CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 19, 2020

Cherry Valley Township
Ashtabula County
4045 Russell Road
Dorset, Ohio 44032

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 **Cherry Valley Township**, Ashtabula County, (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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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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 Cherry Valley Township, Ashtabula County as of December 31, 2019 and 2018, and 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 2019 and 2018, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY**

**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)
Cash Receipts				
Property and Other Local Taxes	\$ 35,265	\$ 52,437	\$ -	\$ 87,702
Licenses, Permits and Fees	376	2,330	-	2,706
Intergovernmental	16,987	117,642	-	134,629
Earnings on Investments	129	50	-	179
Miscellaneous	2,610	3,675	2,200	8,485
<i>Total Cash Receipts</i>	<u>55,367</u>	<u>176,134</u>	<u>2,200</u>	<u>233,701</u>
Cash Disbursements				
Current:				
General Government	41,919	-	-	41,919
Public Safety	-	49,491	-	49,491
Public Works	-	114,414	-	114,414
Health	9,242	1,409	-	10,651
Conservation-Recreation	1,380	-	2,200	3,580
Capital Outlay	-	3,311	-	3,311
Debt Service:				
Principal Retirement	-	21,638	-	21,638
Interest and Fiscal Charges	-	1,693	-	1,693
<i>Total Cash Disbursements</i>	<u>52,541</u>	<u>191,956</u>	<u>2,200</u>	<u>246,697</u>
<i>Net Change in Fund Cash Balances</i>	2,826	(15,822)	-	(12,996)
<i>Fund Cash Balances, January 1</i>	<u>35,901</u>	<u>97,192</u>	<u>-</u>	<u>133,093</u>
Fund Cash Balances, December 31				
Restricted	-	78,699	-	78,699
Assigned	31,647	2,671	-	34,318
Unassigned	7,080	-	-	7,080
<i>Fund Cash Balances, December 31</i>	<u>\$ 38,727</u>	<u>\$ 81,370</u>	<u>\$ -</u>	<u>\$ 120,097</u>

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

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Cherry Valley Township, Ashtabula 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, fire protection and emergency medical services. The Township contracts with the Dorset Township Fire Department and Andover Volunteer Fire Department for \$10,000 each year to provide fire services and Community Ambulance Services for \$28,350 to provide ambulance services. The Township has a 1.5 mil levy for fire and 2.00 mil levy for ambulance.

Public Entity Risk Pools

The Township participates in a public entity risk pool for insurance purposes. OTARMA is the Township's insurance carrier. The management pool is through OTARMA, and is associated with a related organization. Note 6 to the financial statements provides additional information for this entity. 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, which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain 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 The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle Licenses Tax Fund The motor vehicle license tax fund accounts for and reports that portion of the motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Fire Fund The fire fund accounts for and reports property tax from a 1.50 mil levy to provide fire services for township residents.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Ambulance EMS Fund This fund receives money from a 2.00 mil levy to provide emergency medical services to the township residents.

Road and Bridge Fund The road and bridge fund accounts for and reports that portion of gasoline tax fees restricted for maintenance and repair of roads within the Township.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

Miscellaneous Capital Projects Fund The current project is named Ayres Road Improvement. This project was started with in kind work in September of 2019 and should be completed by fall of 2020.

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. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 cancelled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 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 Non-spendable 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.

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.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,144	\$ 55,367	\$ (8,223)
Special Revenue	159,554	176,134	(16,580)
Capital Projects	47,800	2,200	45,600
Total	\$ 254,498	\$ 233,701	\$ 20,797

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,729	\$ 52,541	\$ 13,188
Special Revenue	210,270	191,954	18,316
Capital Projects	47,800	2,200	45,600
Total	\$ 323,799	\$ 246,695	\$ 77,104

Note 4 – Deposits

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

	2019
Other time deposits (savings and NOW accounts)	\$ 120,097
Total deposits	\$ 120,097

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System. (OCPS), 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 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.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes risk of loss up to the limits of the Township'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 Plans

Ohio Public Employees Retirement System

The Township's elected officials and some employees 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Retirement Rates	Year	Membership Rate	Employer Rate
OPERS - Local	2012-2019	10%	14%

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans (Continued)

Social Security

Two of the Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

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.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Garage Note	\$ 25,786	3.275%
Dump Truck Note	9,500	3.125%
	<u>\$ 35,286</u>	

During 2011, the Township borrowed \$50,000 to construct a garage to house the equipment. The 15 year (2011-2026) 3.275% interest loan was deposited into and paid out of the Road and Bridge Fund.

During 2016, the Township borrowed \$25,000 to purchase a backhoe for road maintenance and construction at a rate of 3.275% interest deposited into and paid out of the Gasoline Tax Fund for 7 years. In December of 2019, the loan was paid off in full.

During 2018, the Township borrowed \$15,000 to purchase a dump truck for road maintenance and construction work at a rate of 3.125% for 5 years (2018-2023) deposited into and paid out of the Gasoline Tax Fund.

The notes were through the Andover Bank which is the same bank that maintains the checking and savings accounts.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (Continued)

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

Year Ended December 31	Garage Note	Dump truck Note
2020	\$ 4,747	\$ 3,254
2021	4,747	3,160
2022	4,747	3,066
2023	4,747	502
2024	4,747	-
2025-2029	7,516	-
Total	<u>\$ 31,251</u>	<u>\$ 9,982</u>

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, any recovery from emergency funding, either federal or state, cannot be estimated.

**CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY**

**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)
Cash Receipts			
Property and Other Local Taxes	\$ 35,639	\$ 53,393	\$ 89,032
Licenses, Permits and Fees	785	2,552	3,337
Intergovernmental	15,949	114,910	130,859
Earnings on Investments	143	43	186
Miscellaneous	2,424	3,592	6,016
<i>Total Cash Receipts</i>	<u>54,940</u>	<u>174,490</u>	<u>229,430</u>
Cash Disbursements			
Current:			
General Government	39,651	-	39,651
Public Safety	-	49,968	49,968
Public Works	3,000	165,593	168,593
Health	7,547	2,556	10,103
Conservation-Recreation	1,547	-	1,547
Capital Outlay	-	810	810
Debt Service:			
Principal Retirement	-	9,413	9,413
Interest and Fiscal Charges	-	1,929	1,929
<i>Total Cash Disbursements</i>	<u>51,745</u>	<u>230,269</u>	<u>282,014</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,195</u>	<u>(55,779)</u>	<u>(52,584)</u>
Other Financing Receipts (Disbursements)			
Sale of Notes	-	15,000	15,000
Sale of Capital Assets	-	18,300	18,300
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>33,300</u>	<u>33,300</u>
<i>Net Change in Fund Cash Balances</i>	3,195	(22,479)	(19,284)
<i>Fund Cash Balances, January 1</i>	<u>32,706</u>	<u>119,671</u>	<u>152,377</u>
Fund Cash Balances, December 31			
Restricted	-	94,601	94,601
Assigned	18,585	2,591	21,176
Unassigned	17,316	-	17,316
<i>Fund Cash Balances, December 31</i>	<u>\$ 35,901</u>	<u>\$ 97,192</u>	<u>\$ 133,093</u>

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

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Ambulance EMS Fund This fund receives money from a 2.00 mil levy to provide emergency medical services to the township residents.

Road and Bridge Fund The road and bridge fund accounts for and reports that portion of gasoline tax fees restricted for maintenance and repair of roads within the Township.

Basis of Accounting

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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

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Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 cancelled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Deposits

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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 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 Non-spendable 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.

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.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,999	\$ 54,940	\$ (6,941)
Special Revenue	187,146	207,790	(20,644)
Total	\$ 235,145	\$ 262,730	\$ (27,585)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 73,559	\$ 51,745	\$ 21,814
Special Revenue	254,962	230,270	24,692
Total	\$ 328,521	\$ 282,015	\$ 46,506

Note 4 – Deposits

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

	2018
Other time deposits (savings and NOW accounts)	\$ 133,093
Total deposits	\$ 133,093

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System. (OCPS), 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 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.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes risk of loss up to the limits of the Township’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 Plans

Ohio Public Employees Retirement System

The Township’s elected officials and some employees 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Retirement Rates	Year	Membership Rate	Employer Rate
OPERS - Local	2012-2018	10%	14%

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans (Continued)

Social Security

Two of the Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

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 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Garage Note	\$ 29,245	3.275%
Backhoe Note	15,179	3.275%
Dump Truck Note	12,500	3.125%
	<u>\$ 56,924</u>	

During 2011, the Township borrowed \$50,000 to construct a garage to house the equipment. The 15 year (2011-2026) 3.275% interest loan was deposited into and paid out of the Road and Bridge Fund.

During 2016, the Township borrowed \$25,000 to purchase a backhoe for road maintenance and construction at a rate of 3.275% interest deposited into and paid out of the Gasoline Tax Fund for 7 years.

During 2018, the Township borrowed \$15,000 to purchase a dump truck for road maintenance and construction work at a rate of 3.125% for 5 years (2018-2023) deposited into and paid out of the Gasoline Tax Fund.

The notes were through the Andover Bank which is the same bank that maintains the checking and savings accounts.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

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

Year Ended December 31	Garage Note	Backhoe Note	Dump truck Note
2019	\$ 4,747	\$ 4,015	\$ 3,348
2020	4,747	3,898	3,254
2021	4,747	3,781	3,160
2022	4,747	3,664	3,066
2023	4,747	899	502
2024-2028	12,263	-	-
Total	<u>\$ 35,998</u>	<u>\$ 16,257</u>	<u>\$ 13,330</u>

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, any recovery from emergency funding, either federal or state, cannot be estimated.

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

June 19, 2020

Cherry Valley Township
Ashtabula County
4045 Russel Road
Dorset, Ohio 44032

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 **Cherry Valley Township**, Ashtabula 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 and we 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 to be material weaknesses.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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 communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED 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

Fund Balance Classifications

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2019 and 2018, fund balances were not always classified correctly. The following posting errors were noted:

- Budget carryover in the General Fund was classified as Unassigned instead of Assigned in 2019 and 2018.

Not classifying fund balances accurately resulted in the financial statements requiring reclassifications. The Financial Statements reflect all reclassifications.

The following errors noted in the Township’s financial statements were determined to be immaterial and did not require adjustments to properly present the Township’s financial activity:

Governmental Accounting Standards Board (GASB) Statement No. 54 par. 10 (GASB Codification 1800.170), states amounts that can only be used for specific purposes pursuant to constraints by formal action of the government’s highest level of decision-making authority should be reported as committed fund balance. Auditor of State Bulletin 2011-004 further suggests reporting the road and bridge fund balance from inside millage as committed. The road and bridge fund balance consists entirely of inside millage that should be reported as committed. During 2019 and 2018, the Township reported the road and bridge fund balance of \$7,018 and \$11,080, respectively, as restricted rather than committed.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all fund balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2019-002

Material Weakness

Posting Estimated Revenues

The Township did not have a control procedure in place to ensure that estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the estimated receipts posted to the accounting system.

CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-002 (Continued)

Material Weakness (Continued)

Posting Estimated Revenues (Continued)

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 4 to the financial statements in order to accurately present estimated receipts as certified by the County Budget Commission.

We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the Budget Commission after each amendment.

Management's Response – We did not receive a response from officials to this finding.

OHIO AUDITOR OF STATE
KEITH FABER



CHERRY VALLEY TOWNSHIP

ASHTABULA 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 23, 2020**