

**VERNON TOWNSHIP**  
**CRAWFORD COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2005





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Vernon Township  
7600 Cole Road  
Crestline, Ohio 44827

We have reviewed the *Independent Auditors' Report* of Vernon Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2005 through December 31, 2005. 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. Vernon Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 8, 2007

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**TABLE OF CONTENTS**

	<b>PAGE</b>
Independent Auditors' Report.....	3-4
Management's Discussion and Analysis.....	5-11
Statement of Net Assets – Modified Cash Basis as of December 31, 2005.....	12
Statement of Activities – Modified Cash Basis for the Year Ended December 31, 2005.....	13
Statement of Assets and Fund Balances – Modified Cash Basis Governmental Funds As of December 31, 2005.....	14
Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – Modified Cash Basis Governmental Funds For the Year Ended December 31, 2005.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - (Budget Basis) - General Fund For the Year Ended December 31, 2005.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - (Budget Basis) - Gasoline Tax Fund For the Year Ended December 31, 2005.....	17
Notes to the Financial Statements.....	18-26
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	27-28

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Vernon Township  
Crawford County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Township, Crawford County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

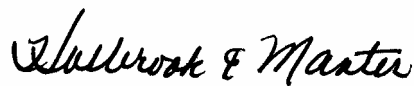
As discussed in Note 1, the Township has prepared these financial statements using the modified cash basis of accounting. This is a comprehensive accounting basis other than account principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Township, Crawford County, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Gasoline Tax funds thereof for the year then ended on the basis of accounting described in Note 2.

The Management's Discussion and Analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 3, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2007 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

March 5, 2007



**VERNON TOWNSHIP  
CRAWFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

This discussion and analysis of the Ohio Local Government's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2005, within the limitations of the Government's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$18,977 or 49 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax Fund, which realized the greatest increase in receipts in 2005.

The Township's general receipts are primarily property and other taxes. These receipts represent 22 percent of the total cash received for the governmental activities during the year. Property and other tax receipts for 2005 changed very little compared to 2004 as development in the Township has slowed.

The key expenditure during the year included the purchase of a used dump truck for \$20,000. The purchase was funded by estate tax revenue received during the year. Road maintenance and repairs totaled \$49,388 during the year. Other major expenditures for the year included fuel, utilities, fire protection, equipment, and debt service which totaled \$30,935.

The Township received Federal assistance through FEMA for the cost incurred for clean up of an ice storm in January 2005 which amounted to \$6,605. Total Federal assistance was \$5,277.

In 2005, the service provider for EMS was changed. The new provider bills the patient directly and no cost is incurred by the Township compared to \$2,420 EMS expenditures paid in 2004.

In 2005, the Township produced and distributed a Spring and Fall newsletter for Township residents.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Government's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VERNON TOWNSHIP  
CRAWFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Government has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Government's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Government did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other nonfinancial factors as well such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we show the governmental activities of the Township:

Governmental activities. Most of the Government's basic services are reported here, including fire, streets and roads. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**VERNON TOWNSHIP  
CRAWFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The general fund of the Government is the governmental fund.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Government's major governmental funds are the General Fund and the Gasoline Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Government as a Whole**

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ <u>57,052</u>	\$ <u>38,075</u>
Total Assets	\$ <u>57,052</u>	\$ <u>38,075</u>
<b>Net Assets</b>		
Debt Service	\$ 18,001	\$ 0
Capital Outlay	0	43
Other Purposes	20,379	26,466
Unrestricted	<u>18,672</u>	<u>11,566</u>
<b>Total Net Assets</b>	\$ <u>57,052</u>	\$ <u>38,075</u>

As mentioned previously, net assets of governmental activities increased \$18,977 or 49 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Gasoline tax increased 21% from the previous year.
- Estate tax revenue was \$30,127, a 12.3% increase over the previous year.

**VERNON TOWNSHIP  
CRAWFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

Table 2 reflects the changes in net assets in 2005. Since the Government did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities</b>
<b>Receipts:</b>	
General Receipts:	
Property and Other Local Taxes	\$ 138,857
Grants and Entitlements Not Restricted to Specific Programs	45,474
Interest	2,054
Miscellaneous	3,731
Total General Receipts	190,116
Total Receipts	190,116
Disbursements:	
General Government	41,055
Security of Persons and Property:	653
Public Works	83,774
Public Health	2,673
Other	4,275
Capital Outlay	25,063
Debt Service:	
Principal	10,000
Interest	3,646
Total Disbursements	171,139
Excess Before Transfers	18,977
Net Assets, January 1, 2005	38,075
Net Assets, December 31, 2005	\$ 57,052

**VERNON TOWNSHIP  
CRAWFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

Total Governmental Funds had receipts of \$190,116 and disbursements of \$171,139. The greatest change within governmental funds occurred within the General Fund.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of the board, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

**Governmental Activities**

If you look at the Statement of Activities on page 13, you will see that the first column lists the major services provided by the Government. The next columns identify the costs of providing these services. The major program disbursements for governmental activities are for Public works and General government, which account for 49 and 24 percent of all governmental disbursements, respectively. Capital Outlay also represents a significant cost, about 14.6 percent. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<u>Total Cost Of Services</u>	<u>Net Cost of Services</u>	
General Government	\$ 41,055	\$ ( 29,953)	
Security of Persons and Property	653	( 653)	
Public Works	83,774	2,287	
Public Health	2,673	( 2,673)	
Other	4,275	( 4,275)	
Capital Outlay	25,063	( 25,063)	
Debt Service:			
Principle	10,000	( 10,000)	
Interest	3,646	( 3,646)	
	<u>171,139</u>	<u>( 73,976)</u>	
Total Expenses	\$ <u>171,139</u>	\$ ( <u>73,976</u> )	

**VERNON TOWNSHIP  
CRAWFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

The dependence upon property tax receipts is apparent as over 21 percent of governmental activities are supported through these general receipts.

*The Government's Funds*

Total governmental funds had receipts of \$190,116 and disbursements of \$171,139. The greatest change within governmental funds occurred within the General Fund.

General Fund receipts were more than disbursements by \$7,106 indicating that the General Fund is not in a deficit spending situation. It was the recommendation of the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

**General Fund Budgeting Highlights**

The Government's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Government amended its General Fund budget one time to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant being \$2,872.

Final disbursements were budgeted at \$74,643 while actual disbursements were \$63,060. Although receipts exceed expectations and appropriations were not increased. The Government kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$18,977 for 2005.

**Debt Administration**

The Township has a balance of \$80,000 at the end of 2005. This balance is for the new maintenance building constructed in 2004. The repayment schedule is in the notes to the financial statements.

**VERNON TOWNSHIP  
CRAWFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mrs. Robin L. Hipsher, Fiscal Officer; Vernon Township, 7600 Cole Road, Crestline, Ohio 44827.

**VERNON TOWNSHIP**  
**CRAWFORD COUNTY**  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2005

	<u>Governmental Activities</u>
<b>ASSETS:-</b>	
Equity in pooled cash and cash equivalents	\$ <u>57,052</u>
<b>Total assets</b>	\$ <u><u>57,052</u></u>
<b>NET ASSETS:-</b>	
Unrestricted	\$ <u>57,052</u>
<b>Total net assets</b>	\$ <u><u>57,052</u></u>

See accompanying notes to the basic financial statements



**VERNON TOWNSHIP**  
**CRAWFORD COUNTY**  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash</u> <u>Cash Receipts</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in Net Assets</u>  <u>Governmental</u> <u>Activities</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES:-</b>				
General government	\$ 41,055	\$ 11,102	\$ ( 29,953)	\$ ( 29,953)
Public safety	653	0	( 653)	( 653)
Public works	83,774	86,061	2,287	2,287
Public Health	2,673	0	( 2,673)	( 2,673)
Other	4,275	0	( 4,275)	( 4,275)
Capital outlay	25,063	0	( 25,063)	( 25,063)
Debt service:-				
Principal	10,000	0	( 10,000)	( 10,000)
Interest	3,646	0	( 3,646)	( 3,646)
<b>Total governmental activities</b>	<u>\$ 171,139</u>	<u>\$ 97,163</u>	<u>\$ ( 73,976)</u>	<u>\$ ( 73,976)</u>
 <b>GENERAL RECEIPTS:-</b>				
Property taxes			\$ 41,694	\$ 41,694
Grants and entitlements not restricted to specific programs			45,474	45,474
Earnings on investments			2,054	2,054
Miscellaneous			3,731	3,731
<b>Total general receipts</b>			92,953	92,953
Change in net assets			18,977	18,977
Net assets beginning of year			38,075	38,075
<b>Net assets at end of year</b>			<u>\$ 57,052</u>	<u>\$ 57,052</u>

See accompanying notes to the basic financial statements

**VERNON TOWNSHIP**  
**CRAWFORD COUNTY**  
STATEMENT ASSETS AND FUND BALANCES MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2005

**ASSETS**

	<b>General</b>	<b>Gasoline Tax</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Equity in pooled cash and cash equivalents	\$ 18,672	\$ 20,379	\$ 18,001	\$ 57,052
<b>Total assets</b>	<b>\$ 18,672</b>	<b>\$ 20,379</b>	<b>\$ 18,001</b>	<b>\$ 57,052</b>

**FUND BALANCES**

**RESERVED:-**

Reserved for encumbrances	\$ 0	\$ 0	\$ 0	\$ 0
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**UNRESERVED:-**

Undesignated, reported in:-

General fund	18,672	0	0	18,672
Special revenue funds	0	20,379	18,001	38,380

<b>Total fund balances</b>	<b>\$ 18,672</b>	<b>\$ 20,379</b>	<b>\$ 18,001</b>	<b>\$ 57,052</b>
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See accompanying notes to the basic financial statements

**VERNON TOWNSHIP**  
**CRAWFORD COUNTY**  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
- MODIFIED CASH BASIS GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS:-</b>				
Property and other local taxes	\$ 14,987	\$ 0	\$ 26,707	\$ 41,694
Intergovernmental	47,270	78,079	17,288	142,637
Earnings on investments	1,231	685	138	2,054
Miscellaneous	3,731	0	0	3,731
<b>Total receipts</b>	<u>67,219</u>	<u>78,764</u>	<u>44,133</u>	<u>190,116</u>
<b>DISBURSEMENTS:-</b>				
Current:-				
General government	29,355	1,700	10,000	41,055
Public safety	353	0	300	653
Public works	783	64,730	18,261	83,774
Health	2,673	0	0	2,673
Other	2,947	1,328	0	4,275
Capital outlay	20,126	2,194	2,743	25,063
Debt service:-				
Principal retirement	5,000	5,000	0	10,000
Interest and fiscal charges	1,823	1,823	0	3,646
<b>Total disbursements</b>	<u>63,060</u>	<u>76,775</u>	<u>31,304</u>	<u>171,139</u>
Excess of receipts over disbursements	<u>4,159</u>	<u>1,989</u>	<u>12,829</u>	<u>18,977</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,947	2,330	0	5,277
Transfers out	0	0	( 5,277)	( 5,277)
<b>Total other financing sources (uses)</b>	<u>2,947</u>	<u>2,330</u>	<u>( 5,277)</u>	<u>0</u>
Net change in fund balances	7,106	4,319	7,552	18,977
Fund balances beginning of year	<u>11,566</u>	<u>16,060</u>	<u>10,449</u>	<u>38,075</u>
<b>Fund balances end of year</b>	<u>\$ 18,672</u>	<u>\$ 20,379</u>	<u>\$ 18,001</u>	<u>\$ 57,052</u>

See accompanying notes to the basic financial statements

**VERNON TOWNSHIP**  
**CRAWFORD COUNTY**  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Budgeted Amounts</b>			<b>(Optional)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>RECEIPTS:-</b>				
Property and other local taxes	\$ 16,400	\$ 16,400	\$ 14,987	\$ ( 1,413)
Intergovernmental	44,700	47,647	47,270	( 377)
Earning on investments	300	300	1,231	931
Miscellaneous	0	0	3,731	3,731
Total receipts	61,400	64,347	67,219	2,872
<b>DISBURSEMENTS:-</b>				
Current:-				
General government	31,499	31,499	29,355	2,144
Public safety	700	700	353	347
Public works	1,423	1,423	783	640
Health	5,045	5,045	2,673	2,372
Other	2,947	2,947	2,947	0
Capital outlay	26,206	26,206	20,126	6,080
Debt service:-				
Principal retirement	5,000	5,000	5,000	0
Interest and fiscal charges	1,823	1,823	1,823	0
Total disbursements	74,643	74,643	63,060	11,583
Excess of receipts over (under) disbursements	( 13,243)	( 10,296)	4,159	14,455
<b>OTHER FINANCING SOURCES (USES):-</b>				
Transfers in	0	0	2,947	2,947
Total other financing sources (uses)	0	0	2,947	2,947
Net change in fund balance	( 13,243)	( 10,296)	7,106	17,402
Fund balance beginning of year	11,566	11,566	11,566	0
Prior year encumbrances appropriated	0	0	0	0
<b>Fund balance end of year</b>	<b>\$ ( 1,677)</b>	<b>\$ 1,270</b>	<b>\$ 18,672</b>	<b>\$ 17,402</b>

See accompanying notes to the basic financial statements

**VERNON TOWNSHIP**  
**CRAWFORD COUNTY**  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			<b>(Optional)</b> <b>Variance with</b> <b>Final Budget</b> <b>Positive</b> <b>(Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>RECEIPTS:-</b>				
Intergovernmental	\$ 74,000	\$ 74,846	\$ 78,079	\$ 3,233
Earning on investments	<u>150</u>	<u>150</u>	<u>685</u>	<u>535</u>
Total receipts	74,150	74,996	78,764	3,768
<b>DISBURSEMENTS:-</b>				
Current:-				
General government	1,700	1,700	1,700	0
Public works	79,283	79,283	64,730	14,553
Other	2,330	2,330	1,328	1,002
Capital outlay	2,194	2,194	2,194	0
Debt service:-				
Principal retirement	5,000	5,000	5,000	0
Interest and fiscal charges	<u>1,823</u>	<u>1,823</u>	<u>1,823</u>	<u>0</u>
Total disbursements	<u>92,330</u>	<u>92,330</u>	<u>76,775</u>	<u>15,555</u>
Excess of receipts over (under) disbursements	<u>( 18,180)</u>	<u>( 17,334)</u>	<u>1,989</u>	<u>19,323</u>
<b>OTHER FINANCING SOURCES (USES):-</b>				
Transfers in	<u>0</u>	<u>0</u>	<u>2,330</u>	<u>2,330</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>2,330</u>	<u>2,330</u>
Net change in fund balance	( 18,180)	( 17,334)	4,319	21,653
Fund balance beginning of year	16,060	16,060	16,060	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balance end of year</b>	<u>\$ ( 2,120)</u>	<u>\$ ( 1,274)</u>	<u>\$ 20,379</u>	<u>\$ 21,653</u>

See accompanying notes to the basic financial statements

**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 1 - REPORTING ENTITY:-**

Vernon Township, Crawford County, Ohio (the Township), is a body politic and corporate established in 1826 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government.

**Primary Government** - The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Tiro-Auburn Volunteer Fire Department for fire protection. Vernon Township is a member of the Central Joint Ambulance District, who provides ambulance service for the Township.

Vernon Township is a participant in the Central Joint Ambulance District. The Township has one trustee that is a member of the governing board, and is currently the president of that board. The Central Joint Ambulance District has a total of twelve entities that participate in the district. The district was formed solely for creating ambulance service for the residents within these entities. Currently the provider, Life Star, has a contract to offer services with a zero subsidy and is paid by billing patient for services provided. Life Star Ambulance Company, performs activities within The Township's boundaries for the benefit of its residents because the Township is not financially accountable for these entities nor are they fiscally dependent on the Township.

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:-**

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

**Basis of Presentation** - The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements reflect activities of the Township that are governmental. Vernon Township has no activities that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, - grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a modified cash basis or draws from the Township's general receipts.

**Fund Financial Statements** - During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Fund Accounting** - The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The Township's funds are classified as governmental.

**Governmental Funds** - The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund and the Gasoline Tax Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for 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.

Gasoline Tax Fund receives gasoline tax money for constructing, maintaining, and repairing township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**Basis of Accounting** - The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**Budgetary Process** - All funds are legally required to be budgeted and appropriated. The Tax Commission of Crawford County have chosen to not require a formal budget due in the summer months. Instead, they provide us with an estimate of revenue based on calculations of property and levies in place in the Township. The Township takes the estimates from the County Auditor and a report of revenue from the previous year and uses these numbers to make an estimation of revenue for the coming year. This has proven to be an accurate method of estimating revenue for the next year. This report is given to the county tax commission when requested. The county auditor and tax commission review these numbers and responds if there is inaccuracy in the reporting.

The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**Cash and Investments** - To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2005, the Township invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$1,231.



**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**Restricted Assets** - Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**Inventory and Prepaid Items** - The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**Capital Assets** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Inter-fund Receivables and Payables** - The Township reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**Employer Contributions to Cost-Sharing Pension Plans** - The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Long Term Obligations** - The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**Net Assets** - Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for debt service and fire protection.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance Reserves** - The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances when necessary.

**Inter-fund Transactions** - Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 3 - CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY:-**

Last year, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-**

The Township reports no deficit fund balances.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING:-**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Gasoline Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are that the outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (modified cash basis)). There were no outstanding encumbrances or advances at the end of the year.

**NOTE 6 - DEPOSITS AND INVESTMENTS:-**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 6 - DEPOSITS AND INVESTMENTS:-** (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the carrying amount of the Townships deposits was \$7,854 and the bank balance was \$7,854, which was covered by federal depository insurance.

**NOTE 7 - BONDS PAYABLE:-**

In 2003, the Township borrowed \$100,000 for the construction of a maintenance building. The terms of the bonds require ten annual payments of \$10,000 plus interest at an annual interest rate of 4.05%. The balance of the bonds payable at December 31, 2005 was \$80,000. Future minimum payments on the bond are as follows:

<b>Year</b>	<b>Amount</b>
2006	\$ 13,240
2007	12,835
2008	12,430
2009	12,025
2010	11,620
2011 and beyond	<u>32,430</u>
Total Schedule Payments	94,580
Less amount representing interest	<u>( 14,580)</u>
<b>Principal balance</b>	<b><u><u>\$ 80,000</u></u></b>

**VERNON TOWNSHIP  
CRAWFORD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 8 - PROPERTY TAXES:-**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was 1.5 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

<b>Real Property:-</b>	
Residential	\$ 6,435,370
Agriculture	3,636,440
Commercial/ Industrial/ Mineral	26,300
<b>Public Utility Property:-</b>	
Real	741,500
Personal	0
Tangible personal property	202,380
<b>Total assessed value</b>	<b>\$ 11,041,990</b>

**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 9 - RISK MANAGEMENT:-**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage** - OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage** – Through 2005, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**Financial Position** - OTARMA's financial statements (audited by other accountants) are represented to conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2005:

<b><u>Casualty Coverage</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets	\$ 30,485,638	\$ 28,132,620
Liabilities	( 12,344,576)	( 11,086,379)
<b>Retained earnings</b>	<b>\$ 18,141,062</b>	<b>\$ 17,046,241</b>
<b><u>Property Coverage</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	( 1,406,031)	( 543,176)
<b>Retained earnings</b>	<b>\$ 7,771,765</b>	<b>\$ 7,045,167</b>

**VERNON TOWNSHIP  
CRAWFORD COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 10 -DEFINED BENEFIT PENSION PLAN:-**

**Ohio Public Employees Retirement System** - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death 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 issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.6 percent, except for those plan members in law enforcement or public safety. For those the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Contributions to the member-directed plan for 2005 were \$6,677 made by the Township and \$2,603 made by the plan members.



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Vernon Township  
Crawford County

We have audited the accompanying financial statements of Vernon Township, Crawford County, Ohio (the Township), as of and for the year ended December 31, 2005, and have issued our report thereon dated March 5, 2007, wherein we noted the Township had followed the modified cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Township in a separate letter dated March 5, 2007.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated March 5, 2007.

This report is intended solely for the information and use of the management and Township Council. It is not intended to be and should not be used by anyone other than these specified parties.

*Shullrock & Manton*

Certified Public Accountants

March 5, 2007





Mary Taylor, CPA  
Auditor of State

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  
MAY 22, 2007