

VERNON TOWNSHIP
CRAWFORD COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Vernon Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2007 through December 31, 2007. 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

February 4, 2009

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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, 2007, 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 audit.

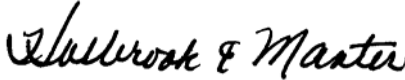
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to provide 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 audits provide a reasonable basis for our opinion.

As discussed in Note 2, the Township has prepared these financial statements using the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting 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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Township, Crawford County, as of December 31, 2007, and the respective changes in the cash basis financial position and the respective budgetary comparison for the General, Gasoline Tax, and Road and Bridge funds thereof for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2008 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants

August 12, 2008

**VERNON TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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, 2007, within the limitations of the Township'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 2007 are as follows:

Net assets of governmental activities decreased \$26,872, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2007; however, cost increases affected most funds.

Vernon Township's general receipts primarily come from real estate tax, tangible personal property tax, and local government revenue. These receipts represent less than 22 percent of the total cash received for the governmental activities during the year. Property and other tax receipts for 2007 changed very little compared to 2006 as development within the Township has leveled off.

The widening of Brannon Road in Vernon Township was the focus of road maintenance funds this year, extending into the next year or two if necessary. The road will be widened two feet, total. Trustees have applied for state grants to help with this project and will receive them in 2008 through Issue II funds.

The township has expanded our policies including all elected officials or employees who operate motor vehicles of any kind, belonging to the township, to be a member of a drug testing consortium. A sexual harassment policy was also added to our book of policies.

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 Vernon Township 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, 2007
(UNAUDITED)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. Vernon Township 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 Vernon Township's 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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Government did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of Vernon Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental 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 Vernon Township'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 Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of Vernon Township'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. Vernon Township's basic services are reported here, including fire, ambulance coverage, 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.

Reporting Vernon Township's Most Significant Funds

Fund financial statements provide detailed information about Vernon Township's major funds – not the Township as a whole. The Township 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.

**VERNON TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Governmental Funds - Most of Vernon Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township'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 Township's programs. The Township'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 Township's major governmental funds are the General Fund, the Gasoline Tax Fund and the Road and Bridge 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 Township as a Whole

Table 1 provides a summary of the Government's net assets for 2007 compared to 2006 on the cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Assets		
Cash and Cash Equivalents	\$ 57,317	\$ 84,189
Total Assets	<u>\$ 57,317</u>	<u>\$ 84,189</u>
Net Assets		
Debt Service	\$ 17,159	\$ 13,240
Other Purposes	39,633	58,965
Unrestricted	<u>525</u>	<u>11,984</u>
Total Net Assets	<u>\$ 57,317</u>	<u>\$ 84,189</u>

As mentioned previously, net assets of governmental activities decreased \$26,872 during 2007. The primary reasons contributing to the decrease in cash balances are as follows:

- Expenditures for 2007 were \$201,382 compared to \$145,483 in 2006, a difference of \$55,899. The increase in 2007 can be contributed to an increase in expenses in many areas. Salaries have increased 1.7% from 2006. Health insurance reimbursement benefits have increased from \$100 per month per employee to \$200 per month per employee. This increase is still modest, and is more in line with current costs.
- A backhoe was purchased in 2006, and a payment was made in the amount of \$5,000 during 2006. A payment of \$4,626 was made on the backhoe in 2007.
- Road maintenance was the primary reason for the increase in expenditures in 2007. The Brannon Road widening project along with other regular road maintenance, increased costs over \$40,000 in 2007 compared to 2006.

**VERNON TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Table 2 reflects the changes in net assets on a modified cash basis in 2007 and 2006 for governmental activities.

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

	<u>Governmental Activities</u> <u>2007</u>	<u>Governmental Activities</u> <u>2006</u>
Receipts:		
General Receipts:		
Property and Other Local Taxes	\$ 50,131	\$ 42,935
Grants and Entitlements Not Restricted to Specific Programs	120,274	122,558
Interest	3,979	4,169
Miscellaneous	126	2,960
Total General Receipts	<u>174,510</u>	<u>172,622</u>
Total Receipts	174,510	172,622
Disbursements:		
General Government	64,104	48,969
Public Safety	303	312
Public Works	115,956	71,622
Public Health	132	1,060
Other	1,441	0
Capital Outlay	1,985	10,282
Debt Service:		
Principal	13,838	10,000
Interest	3,623	3,240
Total Disbursements	<u>201,382</u>	<u>145,485</u>
Excess Before Transfers	(26,872)	27,137
Net Assets, January 1, 2007	<u>84,189</u>	<u>57,052</u>
Net Assets, December 31, 2007	<u>\$ 57,317</u>	<u>\$ 84,189</u>

**VERNON TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The Township's Funds

Total governmental funds had receipts of \$174,510 and disbursements of \$201,382. The greatest change within governmental funds occurred with disbursements for the year. Public works saw the greatest increase due to larger expenditures on road maintenance projects. Receipts for the year were consistent with receipts for 2006.

General Fund Budgeting Highlights

Vernon Township'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 Gasoline Tax Fund.

Final disbursements were budgeted at \$268,475 while actual disbursements were \$201,382. Vernon Township has kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Debt Administration

As of December 31, 2007, Vernon Township has outstanding debt of \$84,682. The maintenance building bond principal retirement of 2007 was \$12,835, leaving a balance of \$68,505. The backhoe purchased in 2006 carries a balance of \$16,177, after principal of \$3,523 was retired from the promissory note held for the equipment. The repayment schedule is in the notes to the financial statements.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of Vernon Township's finances and to reflect our accountability for the monies we receive. 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, 2007

	Governmental Activities
ASSETS:-	
Equity in pooled cash and cash equivalents	\$ 57,317
Total assets	\$ 57,317
 NET ASSETS:-	
Debt service	\$ 17,159
Other purposes	39,633
Unrestricted	525
Total net assets	\$ 57,317

See accompanying notes to the basic financial statements

VERNON TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<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>
GOVERNMENTAL ACTIVITIES:-				
General government	\$ 64,104	\$ 6,627	\$ (57,477)	\$ (57,477)
Public safety	303	0	(303)	(303)
Public works	115,956	97,900	(18,056)	(18,056)
Public health	132	0	(132)	(132)
Other	1,441	0	(1,441)	(1,441)
Capital outlay	1,985	0	(1,985)	(1,985)
Debt service:-				
Principal	13,838	0	(13,838)	(13,838)
Interest	3,623	0	(3,623)	(3,623)
Total governmental activities	<u>\$ 201,382</u>	<u>\$ 104,527</u>	<u>\$ (96,855)</u>	<u>\$ (96,855)</u>
 GENERAL RECEIPTS:-				
Property taxes				\$ 50,131
Grants and entitlements not restricted to specific programs				15,747
Earnings on investments				3,979
Miscellaneous				<u>126</u>
Total general receipts				69,983
Change in net assets				(26,872)
Net assets beginning of year				<u>84,189</u>
Net assets at end of year				<u>\$ 57,317</u>

See accompanying notes to the basic financial statements

VERNON TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2007

ASSETS

	General	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
Equity in pooled cash and cash equivalents	\$ 525	\$ 33,550	\$ 4,664	\$ 18,578	\$ 57,317
Total assets	\$ 525	\$ 33,550	\$ 4,664	\$ 18,578	\$ 57,317

FUND BALANCES

RESERVED:-

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

Undesignated, reported in:-

General fund	525	0	0	0	525
Special revenue funds	0	33,550	4,664	18,578	56,792

Total fund balances	\$ 525	\$ 33,550	\$ 4,664	\$ 18,578	\$ 57,317
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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, 2007

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:-					
Property and other local taxes	\$ 19,293	\$ 0	\$ 16,720	\$ 14,118	\$ 50,131
Intergovernmental	18,134	88,980	2,069	11,091	120,274
Earnings on investments	1,629	2,247	0	103	3,979
Miscellaneous	126	0	0	0	126
	<u>39,182</u>	<u>91,227</u>	<u>18,789</u>	<u>25,312</u>	<u>174,510</u>
Total receipts					
DISBURSEMENTS:-					
Current:-					
General government	45,164	2,500	0	16,440	64,104
Public safety	0	0	0	303	303
Public works	0	89,651	17,325	8,980	115,956
Health	132	0	0	0	132
Other	1,441	0	0	0	1,441
Capital outlay	0	1,985	0	0	1,985
Debt service:-					
Principal retirement	3,904	9,934	0	0	13,838
Interest and fiscal charges	0	3,623	0	0	3,623
	<u>50,641</u>	<u>107,693</u>	<u>17,325</u>	<u>25,723</u>	<u>201,382</u>
Total disbursements					
Excess of receipts over disbursements	<u>(11,459)</u>	<u>(16,466)</u>	<u>1,464</u>	<u>(411)</u>	<u>(26,872)</u>
Fund balances beginning of year	<u>11,984</u>	<u>50,016</u>	<u>3,200</u>	<u>18,989</u>	<u>84,189</u>
Fund balances end of year	<u>\$ 525</u>	<u>\$ 33,550</u>	<u>\$ 4,664</u>	<u>\$ 18,578</u>	<u>\$ 57,317</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, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 22,562	\$ 22,562	\$ 19,293	\$ (3,269)
Intergovernmental	17,195	17,195	18,134	939
Earning on investments	1,600	1,600	1,629	29
Miscellaneous	50	50	126	76
Total receipts	41,407	41,407	39,182	(2,225)
DISBURSEMENTS:-				
Current:-				
General government	45,449	46,914	45,164	1,750
Public safety	0	0	0	0
Public works	0	0	0	0
Health	500	132	132	0
Other	1,242	1,441	1,441	0
Capital outlay	0	0	0	0
Debt service:-				
Principal retirement	6,200	4,904	3,904	1,000
Interest and fiscal charges	0	0	0	0
Total disbursements	53,391	53,391	50,641	2,750
Excess of receipts over (under) disbursements	(11,984)	(11,984)	(11,459)	525
Fund balance beginning of year	11,984	11,984	11,984	0
Prior year encumbrances appropriated	0	0	0	0
Fund balance end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 525</u>	<u>\$ 525</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
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
RECEIPTS:-				
Intergovernmental	\$ 92,000	\$ 92,000	\$ 88,980	\$ (3,020)
Earning on investments	<u>2,000</u>	<u>2,000</u>	<u>2,247</u>	<u>247</u>
Total receipts	94,000	94,000	91,227	(2,773)
DISBURSEMENTS:-				
Current:-				
General government	4,800	4,800	2,500	2,300
Public works	124,954	121,240	89,651	31,589
Other	0	0	0	0
Capital outlay	3,000	3,000	1,985	1,015
Debt service:-				
Principal retirement	7,323	11,037	11,037	0
Interest and fiscal charges	<u>3,939</u>	<u>3,939</u>	<u>2,520</u>	<u>1,419</u>
Total disbursements	<u>144,016</u>	<u>144,016</u>	<u>107,693</u>	<u>36,323</u>
Excess of receipts over (under) disbursements	<u>(50,016)</u>	<u>(50,016)</u>	<u>(16,466)</u>	<u>33,550</u>
Fund balance beginning of year	50,016	50,016	50,016	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 33,550</u></u>	<u><u>\$ 33,550</u></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
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 19,545	\$ 19,545	\$ 16,720	\$ (2,825)
Intergovernmental	<u>1,575</u>	<u>1,575</u>	<u>2,069</u>	<u>494</u>
Total receipts	21,120	21,120	18,789	(2,331)
DISBURSEMENTS:-				
Current:-				
General government	0	0	0	0
Public works	18,335	21,350	17,325	4,025
Other	3,000	0	0	0
Capital outlay	2,985	2,970	0	2,970
Debt service:-				
Principal retirement	0	0	0	0
Interest and fiscal charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total disbursements	<u>24,320</u>	<u>24,320</u>	<u>17,325</u>	<u>6,995</u>
Excess of receipts over (under) disbursements	<u>(3,200)</u>	<u>(3,200)</u>	<u>1,464</u>	<u>4,664</u>
Fund balance beginning of year	3,200	3,200	3,200	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,664</u></u>	<u><u>\$ 4,664</u></u>

See accompanying notes to the basic financial statements

**VERNON TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 patients 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 the 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 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. 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.

**VERNON TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 the 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, the Gasoline Tax Fund and the Road and Bridge 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 Road and Bridge Fund receives tax money for constructing, maintaining and repairing township roads and bridges.

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 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, 2007

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 had 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 Fiscal Officer. 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 certificated 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 2007, 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, 2007.

**VERNON TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited all funds during 2007 was \$3,980.

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 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 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, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE:-

The Township reports no deficit fund balances.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING:-

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of modified 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, the Gasoline Tax Fund and the Road and Bridge 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 (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 5 - 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;
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;

**VERNON TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 5 - DEPOSITS AND INVESTMENTS:- (continued)

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$0 of the Township's bank balance of \$11,262 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. The Township occasionally maintains deposits in excess of federally insured limits. SFAS No. 105 identifies these items as a concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2007, the Township had the following investments:

	Carrying Value
STAR OHIO	\$ 46,093

**VERNON TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 5 - DEPOSITS AND INVESTMENTS:- (continued)

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 6 - BONDS PAYABLE:-

In April 2006, the Township borrowed \$19,700 for the purchase of a backhoe. The terms of the loan require annual payments of \$4,626 including interest. The balance of the loan at December 31, 2007 was \$16,177.

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, 2007 was \$60,000.

Future minimum payments on the bond and loan are as follows:

Year	Amount
2008	\$ 17,056
2009	16,651
2010	16,246
2011	15,841
2012	10,810
2013	<u>10,405</u>
Total Schedule of Payments	87,009
Less amount representing interest	<u>(10,832)</u>
Principal balance	\$ <u><u>76,177</u></u>

**VERNON TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 7 - 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2007. 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, 2007 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 2007 property tax receipts were based are as follows:

Real Property:-	
Residential	\$ 8,871,880
Agriculture	4,420,340
Commercial/ Industrial/ Mineral	34,510
Public Utility Property:-	
Utility	843,800
General	146,320
Total assessed value	\$ 14,316,850

NOTE 8 - 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.

**VERNON TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 - RISK MANAGEMENT:- (continued)

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 2006, 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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,101,312	\$ 30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	\$ 20,657,360	\$ 18,141,062
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	\$ 9,334,254	\$ 7,771,765

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$9,765. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2005	\$ 4,104
2006	3,964
2007	3,255

**VERNON TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 - RISK MANAGEMENT:- (continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 9 - 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, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 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 2007 was 9.6 percent, except for those plan members in law enforcement or public safety. For those the Township's pension contributions were 13.85 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$9,870, \$6,038, and \$6,678 respectively. The full amount has been contributed for 2007, 2006, and 2005.

NOTE 10 - POSTEMPLOYMENT BENEFITS:-

Ohio Public Employees Retirement System - The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute.

**VERNON TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 10 - POSTEMPLOYMENT BENEFITS:- (continued)

The 2006 local government employer contribution rate was 13.7% of covered payroll (16.7% for public safety and law enforcement); 4.5% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1% and 6% annually for the next eight years and 4% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25.0% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12.0% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund post employment benefits were \$16,021. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

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, 2007, and have issued our report thereon dated August 12, 2008, 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 2007-001.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 August 12, 2008.

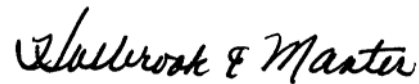
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of 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*.

We did note certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated August 12, 2008.

Vernon Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Vernon Township's response and, accordingly, we express no opinion on it.

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



Certified Public Accountants

August 12, 2008

**VERNON TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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

Finding Number	2007-001
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Significant Deficiency – Internal Control and Review Procedures

Although the Trustees receive and review a select number of reports from the Fiscal Officer of the Township for approval on a monthly basis, the Township has not established formal procedures to reasonably assure completeness, and accuracy of the monthly reporting. During our testing and analysis, we noted that the Township is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Township should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the trustees' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the trustees' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Trustees each month.

Officials' Response

The Fiscal officer will continue to provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting. The Township will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.



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
FEBRUARY 17, 2009