



OHIO AUDITOR OF STATE
KEITH FABER



**VERMILION TOWNSHIP
ERIE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018	3
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Fiduciary Fund For the Year Ended December 31, 2018.....	4
Notes to the Financial Statements - For the Year Ended December 31, 2018.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017	11
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Fiduciary Fund For the Year Ended December 31, 2017.....	12
Notes to the Financial Statements - For the Year Ended December 31, 2017.....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management).....	23

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Vermilion Township
Erie County
1907 State Road
Vermilion, Ohio 44089-9102

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Vermilion Township, Erie County, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Efficient • Effective • Transparent

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Vermilion Township, Erie County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 30, 2019

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$118,448	\$559,263		\$677,711
Charges for Services		26,564		26,564
Licenses, Permits and Fees	106,818			106,818
Intergovernmental	54,676	197,332		252,008
Earnings on Investments	9,419	277		9,696
Miscellaneous	17,720	16,259	\$10,384	44,363
<i>Total Cash Receipts</i>	<u>307,081</u>	<u>799,695</u>	<u>10,384</u>	<u>1,117,160</u>
Cash Disbursements				
Current:				
General Government	337,913			337,913
Public Safety		197,237		197,237
Public Works	5,906	268,070		273,976
Capital Outlay	13,608	174,951	243,707	432,266
<i>Total Cash Disbursements</i>	<u>357,427</u>	<u>640,258</u>	<u>243,707</u>	<u>1,241,392</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,346)</u>	<u>159,437</u>	<u>(233,323)</u>	<u>(124,232)</u>
Other Financing Receipts				
Sale of Capital Assets		3,678		3,678
<i>Net Change in Fund Cash Balances</i>	(50,346)	163,115	(233,323)	(120,554)
<i>Fund Cash Balances, January 1</i>	<u>976,051</u>	<u>1,289,564</u>	<u>550,000</u>	<u>2,815,615</u>
Fund Cash Balances, December 31				
Restricted		842,555		842,555
Committed		610,124	316,677	926,801
Assigned	925,705			925,705
<i>Fund Cash Balances, December 31</i>	<u>\$925,705</u>	<u>\$1,452,679</u>	<u>\$316,677</u>	<u>\$2,695,061</u>

See accompanying notes to the financial statements

Vermilion Township
Erie County
Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2018

	Agency
Operating Cash Receipts	
Licenses, Permits and Fees	\$543
Operating Cash Disbursements	
Other	544
<i>Net Change in Fund Cash Balance</i>	(1)
<i>Fund Cash Balance, January 1</i>	138
<i>Fund Cash Balance, December 31</i>	\$137

See accompanying notes to the financial statements

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Vermilion Township, Erie County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, and cemetery maintenance. The Township contracted with the City of Vermilion to provide emergency medical services, and ambulance services through August, 2018, and then started providing those services themselves.

Public Entity Risk Pool

The Township participates in Ohio Plan Risk Management Inc., a public entity risk pool that provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members. Note 6 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the fiduciary fund which are organized on a fund type basis.

Fund Accounting

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

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

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

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township road and bridges.

Fire District Fund The fire district fund receives property tax money for the purpose of providing fire protection and emergency services.

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

Miscellaneous Capital Projects Fund The miscellaneous capital projects fund receives general fund transfers to be set aside for the future construction of the buildings and/or complexes.

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fiduciary Funds These funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Township disburses these funds as directed by the individual, organization, or other government. The Township's agency fund accounts for building fees collected and remitted to the State of Ohio.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be appropriated.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

The Township's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$267,341	\$307,081	\$39,740
Special Revenue	715,795	803,373	87,578
Capital Projects		10,384	10,384
Total	\$983,136	\$1,120,838	\$137,702

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,243,167	\$357,427	\$885,740
Special Revenue	2,005,359	702,860	1,302,499
Capital Projects	550,000	315,443	234,557
Total	\$3,798,526	\$1,375,730	\$2,422,796

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$2,109,227
STAR Ohio	585,971
Total deposits and investments	\$2,695,198

Deposits

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

Investments

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Note 6 – Risk Management

Risk Pool Membership

The Township belongs to Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Rev. Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017 (the latest information available).

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Social Security

Other Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 – Postemployment Benefits

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

Note 9 – Contingent Liabilities

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

Vermilion Township
Erie County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$117,006	\$548,824		\$665,830
Licenses, Permits and Fees	93,406			93,406
Intergovernmental	53,926	214,813		268,739
Special Assessments		3,458		3,458
Earnings on Investments	3,574	142		3,716
Miscellaneous	13,666	8,194		21,860
<i>Total Cash Receipts</i>	<u>281,578</u>	<u>775,431</u>		<u>1,057,009</u>
Cash Disbursements				
Current:				
General Government	357,484			357,484
Public Safety		123,515		123,515
Public Works	5,334	402,028		407,362
Capital Outlay	25,871	86,523		112,394
<i>Total Cash Disbursements</i>	<u>388,689</u>	<u>612,066</u>		<u>1,000,755</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(107,111)</u>	<u>163,365</u>		<u>56,254</u>
Other Financing Receipts				
Sale of Capital Assets		4,651		4,651
<i>Net Change in Fund Cash Balances</i>	(107,111)	168,016		60,905
<i>Fund Cash Balances, January 1</i>	<u>1,083,162</u>	<u>1,121,548</u>	<u>\$550,000</u>	<u>2,754,710</u>
Fund Cash Balances, December 31				
Restricted		894,630		894,630
Committed		394,934	550,000	944,934
Assigned	976,051			976,051
<i>Fund Cash Balances, December 31</i>	<u>\$976,051</u>	<u>\$1,289,564</u>	<u>\$550,000</u>	<u>\$2,815,615</u>

See accompanying notes to the financial statements

Vermilion Township
Erie County
Statement of Receipts, Disbursements,
and Change in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2017

	Agency
Operating Cash Receipts	
Licenses, Permits and Fees	\$453
Operating Cash Disbursements	
Other	454
<i>Net Change in Fund Cash Balance</i>	(1)
<i>Fund Cash Balance, January 1</i>	139
<i>Fund Cash Balance, December 31</i>	\$138

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Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Fiduciary Funds These funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Township disburses these funds as directed by the individual, organization, or other government. The Township's agency fund accounts for building fees collected and remitted to the State of Ohio.

Basis of Accounting

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be appropriated.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

The Township's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$271,981	\$281,578	\$9,597
Special Revenue	689,906	780,082	90,176
Total	\$961,887	\$1,061,660	\$99,773

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,351,685	\$388,914	\$962,771
Special Revenue	1,747,523	612,066	1,135,457
Capital Projects	550,000		550,000
Total	\$3,649,208	\$1,000,980	\$2,648,228

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$2,239,308
Certificate of deposits	305,294
Total deposits	2,544,602
STAR Ohio	271,151
Total deposits and investments	\$2,815,753

Deposits

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

Investments

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Note 6 – Risk Management

Risk Pool Membership

The Township belongs to Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Rev. Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Vermilion Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Contingent Liabilities

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

OHIO AUDITOR OF STATE KEITH FABER



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

Vermilion Township
Erie County
1907 State Road
Vermilion, Ohio 44089-9102

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Vermilion Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated July 30, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

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statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

July 30, 2019

**VERMILION TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness - Financial Reporting

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

The following errors requiring adjustment to the financial statements and/or notes to the financial statements were identified for the year ended December 31, 2018:

- General and Special Revenue Fund Type budgeted receipts were decreased in the amounts of \$39,739 and \$87,576, respectively, in order to bring amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts;
- The Budgetary Activity note to the financial statements omitted Capital Projects Fund Type actual receipts in the amount of \$10,384;
- Special Revenue and Capital Projects Fund Type restricted fund balances in the amounts of \$610,124 and \$316,677, respectively, were reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Special Revenue Fund Type actual expenditures in the Budgetary Activity note were increased in the amount \$133,796 in order to bring amounts reported in the notes to the financial statements in line with actual budgetary expenditures; and
- Agency Fund Type licenses, permits, and fees receipts in the amount of \$543 were improperly classified as miscellaneous receipts.

Also the following errors requiring adjustment to the financial statements and/or notes to the financial statements were identified for the year ended December 31, 2017:

- Special Revenue and Capital Projects Fund Type restricted fund balances in the amounts of \$394,934 and \$550,000, respectively, were reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Agency Fund Type licenses, permits, and fees receipts in the amount of \$453 were improperly classified as miscellaneous receipts

**FINDING NUMBER 2018-001
(CONTINUED)**

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements, and where applicable, the Township's accounting records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Trustees to help identify and correct errors and omissions. The Fiscal Officer can refer to the Ohio Township Handbook at the following website address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf>

The Fiscal Officer can also refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Officials' Response:

Fiscal Officer will seek reference materials and information and make necessary adjustments to postings.

VERMILION TOWNSHIP

Erie County

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material weakness for errors in financial reporting.	Not corrected. Reissued as Finding 2018-001 in this report.	Matters related to finding 2016-001 were partially corrected during the current audit period. Additional errors not previously communicated in Finding 2016-001 were noted during the current audit due to deficiencies in the Township's internal controls over financial statement monitoring. The Fiscal Officer will seek reference materials and information and make necessary adjustments to postings.

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OHIO AUDITOR OF STATE
KEITH FABER



VERMILION TOWNSHIP

ERIE 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
AUGUST 13, 2019**