

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AUDIT REPORT

OF

VERNON TOWNSHIP

HANCOCK COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED

11/15/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	7
Notes to Financial Statement	8-11
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	14-15
Schedule of Leases and Debt	16
Schedule of Capital Assets.....	17
Other Reports.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	James Nolte Florence May	01-01-15 to 12-31-18 01-01-19 to 12-31-22
Chairman of the Township Board	Andrew Smith Gary Sharrett	01-01-17 to 12-31-18 01-01-19 to 12-31-19



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF VERNON TOWNSHIP, HANCOCK COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of Vernon Township (Township), which comprises the financial position and results of operations for the period of January 1, 2017 to December 31, 2018, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

As discussed in Note 1 to the financial statement, the Township prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the period of January 1, 2017 to December 31, 2018.


Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Township for the period of January 1, 2017 to December 31, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Township's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

October 10, 2019

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Township. The financial statement and notes are presented as intended by the Township.

(This page intentionally left blank.)

VERNON TOWNSHIP, HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Township	\$ 726,143	\$ 156,175	\$ 728,190	\$ 154,128	\$ 191,562	\$ 149,464	\$ 196,226
Ems	2,291	308,587	300,000	10,878	309,228	313,434	6,672
Park And Recreation	370,004	40,322	302,957	107,369	37,884	24,470	120,783
Township Assistance	95,120	67,576	51,832	110,864	67,146	51,154	126,856
Fire Fighting	1,099,193	576,443	800,784	874,852	553,681	715,443	713,090
Rainy Day	318,780	-	248,374	70,406	-	-	70,406
Cumulative Fire	628,154	159,824	548,644	239,334	159,316	15,217	383,433
Fire Debt	2,782	-	-	2,782	-	-	2,782
Payroll Deductions	10,195	13,510	14,129	9,576	14,755	20,432	3,899
Totals	<u>\$ 3,252,662</u>	<u>\$ 1,322,437</u>	<u>\$ 2,994,910</u>	<u>\$ 1,580,189</u>	<u>\$ 1,333,572</u>	<u>\$ 1,289,614</u>	<u>\$ 1,624,147</u>

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

VERNON TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed control).

The accompanying financial statement presents the financial information for the Township.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

VERNON TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

D. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

E. Interfund Transfers

The Township may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

F. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

VERNON TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Township is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Township to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

VERNON TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. *Holding Corporation*

The Township entered into a capital lease with Vernon Township Building Corporation (the lessor) in 2019. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Township. The lessor has been determined to be a related-party of the Township.

(This page intentionally left blank.)

OTHER INFORMATION - UNAUDITED

The Township's Annual Financial Reports information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Township's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Township. It is presented as intended by the Township.

VERNON TOWNSHIP, HANCOCK COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Township	Ems	Park And Recreation	Township Assistance	Fire Fighting	Rainy Day	Cumulative Fire	Fire Debt	Payroll Deductions	Totals
Cash and investments - beginning	\$ 726,143	\$ 2,291	\$ 370,004	\$ 95,120	\$ 1,099,193	\$ 318,780	\$ 628,154	\$ 2,782	\$ 10,195	\$ 3,252,662
Receipts:										
Taxes	142,230	278,801	35,974	59,957	469,406	-	144,397	-	-	1,130,765
Intergovernmental receipts	8,876	29,786	4,348	7,246	14,039	-	15,427	-	-	79,722
Charges for services	-	-	-	-	21,800	-	-	-	-	21,800
Other receipts	5,069	-	-	373	71,198	-	-	-	13,510	90,150
Total receipts	156,175	308,587	40,322	67,576	576,443	-	159,824	-	13,510	1,322,437
Disbursements:										
Personal services	30,996	-	-	-	96,988	-	-	-	-	127,984
Supplies	6,005	-	786	-	1,813	-	-	-	-	8,604
Other services and charges	65,484	300,000	27,171	51,832	274,435	-	-	-	-	718,922
Capital outlay	625,705	-	275,000	-	427,548	248,374	548,644	-	-	2,125,271
Other disbursements	-	-	-	-	-	-	-	-	14,129	14,129
Total disbursements	728,190	300,000	302,957	51,832	800,784	248,374	548,644	-	14,129	2,994,910
Excess (deficiency) of receipts over disbursements	(572,015)	8,587	(262,635)	15,744	(224,341)	(248,374)	(388,820)	-	(619)	(1,672,473)
Cash and investments - ending	\$ 154,128	\$ 10,878	\$ 107,369	\$ 110,864	\$ 874,852	\$ 70,406	\$ 239,334	\$ 2,782	\$ 9,576	\$ 1,580,189

VERNON TOWNSHIP, HANCOCK COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Township	Ems	Park And Recreation	Township Assistance	Fire Fighting	Rainy Day	Cumulative Fire	Fire Debt	Payroll Deductions	Totals
Cash and investments - beginning	\$ 154,128	\$ 10,878	\$ 107,369	\$ 110,864	\$ 874,852	\$ 70,406	\$ 239,334	\$ 2,782	\$ 9,576	\$ 1,580,189
Receipts:										
Taxes	140,683	279,638	34,304	60,537	477,197	-	143,800	-	-	1,136,159
Intergovernmental receipts	7,634	29,590	3,580	6,318	12,742	-	15,216	-	-	75,080
Other receipts	43,245	-	-	291	63,742	-	300	-	14,755	122,333
Total receipts	191,562	309,228	37,884	67,146	553,681	-	159,316	-	14,755	1,333,572
Disbursements:										
Personal services	35,135	307,108	-	-	85,696	-	-	-	-	427,939
Supplies	4,411	6,326	932	-	8,346	-	-	-	-	20,015
Other services and charges	105,903	-	23,217	51,154	286,798	-	-	-	-	467,072
Capital outlay	4,015	-	321	-	334,603	-	15,217	-	-	354,156
Other disbursements	-	-	-	-	-	-	-	-	20,432	20,432
Total disbursements	149,464	313,434	24,470	51,154	715,443	-	15,217	-	20,432	1,289,614
Excess (deficiency) of receipts over disbursements	42,098	(4,206)	13,414	15,992	(161,762)	-	144,099	-	(5,677)	43,958
Cash and investments - ending	\$ 196,226	\$ 6,672	\$ 120,783	\$ 126,856	\$ 713,090	\$ 70,406	\$ 383,433	\$ 2,782	\$ 3,899	\$ 1,624,147

VERNON TOWNSHIP, HANCOCK COUNTY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Vernon Township Building Corporation	Fire Station Lease	\$ 157,044	2/1/2019	8/1/2029
Total of annual lease payments		<u>\$ 157,044</u>		

VERNON TOWNSHIP, HANCOCK COUNTY
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2018

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 1,283,000
Infrastructure	660,000
Buildings	1,658,000
Improvements other than buildings	3,599,000
Machinery, equipment, and vehicles	3,068,500
Construction in progress	4,400,000
Books and other	<u>6,200</u>
Total governmental activities	<u>14,674,700</u>
Total capital assets	<u>\$ 14,674,700</u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the Township. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.