

JEROME TOWNSHIP
COLUMBUS REGION, UNION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Jerome Township, Union County
9777 Industrial PKWY
Plain City, OH 43064

We have reviewed the *Independent Auditors' Report* of Jerome Township, Union County, prepared by Holbrook & Manter, CPAs, for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Jerome Township, Union County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 2, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jerome Township
Union County

We have audited the accompanying financial statements of Jerome Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance 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 1, the Township has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Jerome Township, Union County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

November 10, 2005

JEROME TOWNSHIP
UNION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Fiduciary Fund	Total
	General	Special Revenue	Capital Projects	Non-Expendable Trust	(Memorandum Only)
Cash receipts:-					
Local taxes	\$ 54,334	\$ 1,123,117	\$ 0	\$ 0	\$ 1,177,451
Intergovernmental	86,406	242,043	0	0	328,449
Charges for services	0	81,746	0	0	81,746
Interest	30,357	1,504	0	16	31,877
Licenses, permits, and fees	10,175	82,132	0	0	92,307
Fines and forfeitures	12,937	0	0	0	12,937
Miscellaneous	8,320	753	0	0	9,073
Total cash receipts	202,529	1,531,295	0	16	1,733,840
Cash disbursements:-					
Current:					
General government	119,734	98,512	0	0	218,246
Conservation/recreation	22,368	0	0	0	22,368
Public health services	18,119	0	0	0	18,119
Public works	5,254	74,757	0	0	80,011
Public safety	115,999	1,049,982	0	0	1,165,981
Capital outlay	6,471	261,620	0	0	268,091
Total cash disbursements	287,945	1,484,871	0	0	1,772,816
Total receipts over (under) cash disbursements	(85,416)	46,424	0	16	(38,976)
Other financing receipts (uses):-					
Operating transfers - in	0	0	200,000	0	200,000
Operating transfers - out	(200,000)	0	0	0	(200,000)
Other financing sources	65	8,400	0	0	8,465
Total other financing receipts (uses)	(199,935)	8,400	200,000	0	8,465
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(285,351)	54,824	200,000	16	(30,511)
Fund cash balances, January 1, 2004	853,304	1,580,330	0	2,480	2,436,114
Fund cash balances, December 31, 2004	\$ 567,953	\$ 1,635,154	\$ 200,000	\$ 2,496	\$ 2,405,603
Reserve for encumbrances, December 31, 2004	\$ 0	\$ 334,238	\$ 0	\$ 0	\$ 334,238

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

**JEROME TOWNSHIP
UNION COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types		Fiduciary Fund	Total
	General	Special Revenue	Non-Expendable Trust	(Memorandum Only)
Cash receipts:-				
Local taxes	\$ 54,581	\$ 1,146,099	\$ 0	\$ 1,200,680
Intergovernmental	131,704	180,296	0	312,000
Charges for services	0	81,746	0	81,746
Interest	24,039	1,007	23	25,069
Licenses, permits, and fees	20,365	103,213	0	123,578
Fines and forfeitures	12,597	0	0	12,597
Miscellaneous	3,350	3,109	0	6,459
Total cash receipts	246,636	1,515,470	23	1,762,129
Cash disbursements:-				
Current:				
General government	108,747	66,300	0	175,047
Conservation/recreation	19,051	0	0	19,051
Public health services	16,727	0	0	16,727
Public works	4,603	74,098	0	78,701
Public safety	93,284	875,608	0	968,892
Capital outlay	9,832	80,968	0	90,800
Total cash disbursements	252,244	1,096,974	0	1,349,218
Total receipts over (under) cash disbursements	(5,608)	418,496	23	412,911
Other financing receipts:-				
Other financing sources	9,120	8,800	0	17,920
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	3,512	427,296	23	430,831
Fund cash balances, January 1, 2003	849,792	1,153,034	2,457	2,005,283
Fund cash balances, December 31, 2003	\$ 853,304	\$ 1,580,330	\$ 2,480	\$ 2,436,114
Reserve for encumbrances, December 31, 2003	\$ 30,500	\$ 93,236	\$ 0	\$ 123,736

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

**JEROME TOWNSHIP
UNION COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Jerome Township, Union County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by three publicly - elected Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

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

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State of Ohio.

Cash and Investments - Investments are not reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not reported as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Fund Accounting - The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

Road and Bridge Fund

This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund

This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Fire Fund

This fund receives tax money from a special fire levy to help cover the cost of fire protection.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Issue II Fund

This fund receives Issue II funds for constructing and repairing Township roads.

**JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Fiduciary Fund (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund (Non-Expendable Trust)

This fund receives interest on principal to maintain grave sites.

Budgetary Process - The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

Property, Plant and Equipment - Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave - In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's base of recording.

NOTE 2 - EQUITY IN POOLED CASH:-

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 12,820	\$ 129,058
Certificates of deposit	<u>1,038</u>	<u>1,023</u>
Total deposits	13,858	130,081
STAR Ohio	<u>2,391,745</u>	<u>2,306,033</u>
Total deposits and investments	\$ <u><u>2,405,603</u></u>	\$ <u><u>2,436,114</u></u>

**JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 239,554	\$ 202,594	\$ (36,960)
Special Revenue	1,508,448	1,539,695	31,247
Capital Project	337,090	200,000	(137,090)
Non-Expendable Trust	<u>0</u>	<u>16</u>	<u>16</u>
Total	\$ <u>2,085,092</u>	\$ <u>1,942,305</u>	\$ <u>(142,787)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 312,658	\$ 487,945	\$ (175,287)
Special Revenue	1,863,934	1,819,109	44,825
Capital Project	337,090	0	337,090
Non-Expendable Trust	<u>250</u>	<u>0</u>	<u>250</u>
Total	\$ <u>2,513,932</u>	\$ <u>2,307,054</u>	\$ <u>206,878</u>

Contrary to Ohio Law, the Township's budgetary expenditures exceeded its appropriation authority as of December 31, 2004 in the General Fund by \$175,287.

Contrary to Ohio law, the Township failed to obtain reduced amended certificates and modify appropriations accordingly when estimated receipts greatly exceeded actual receipts.

**JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2003 was as follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 236,830	\$ 255,756	\$ 18,926
Special Revenue	1,476,707	1,524,270	47,563
Capital Project	337,454	0	(337,454)
Non-Expendable Trust	<u>0</u>	<u>23</u>	<u>23</u>
Total	\$ <u>2,050,991</u>	\$ <u>1,780,049</u>	\$ <u>(270,942)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 386,300	\$ 282,744	\$ 103,556
Special Revenue	1,585,300	1,190,210	395,090
Capital Project	337,454	0	337,454
Non-Expendable Trust	<u>500</u>	<u>0</u>	<u>500</u>
Total	\$ <u>2,309,554</u>	\$ <u>1,472,954</u>	\$ <u>836,600</u>

Contrary to Ohio law, the Township failed to obtain reduced amended certificates and modify appropriations accordingly when estimated receipts greatly exceeded actual receipts.

**JEROME TOWNSHIP
UNION COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 2 - EQUITY IN POOLED CASH:- (continued)

Deposits - The Township's deposits are insured by the Federal Depository Insurance Corporation up to \$100,000. As of December 31, 2004 and 2003, deposits over \$100,000 were collateralized by securities specifically held by a financial institution.

Investments - The Township's investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to Union County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to Union County by each April 30.

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

NOTE 6 - RETIREMENT SYSTEMS:-

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

NOTE 7 - RISK POOL MANAGEMENT:-

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



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

Board of Trustees
Jerome Township
Union County

We have audited the accompanying financial statements of Jerome Township, Union County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 10, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Township's management dated November 10, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 to 2004-002.

We also noted certain additional matters that were reported in a separate letter to the Township's management dated November 10, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intended this report solely for the information and use of the management and Township Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads 'Holbrook & Manter' in a cursive script.

Certified Public Accountants

November 10, 2005

**JEROME TOWNSHIP
UNION COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

Finding Number	2004-001
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Noncompliance Citation – Certification of Expenditures

Section 5705.41 (D), Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money unless a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void unless, for expenditures under \$1,000 through April 7, 2003 and \$3,000 thereafter, the board of Trustees obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated. The board, by resolution, then may authorize the issuance of a warrant for the payments of the amount due.

During our testing of expenditures, there were instances in which funds were obligated without prior or any certification. There was no evidence of subsequent resolutions authorizing payment for such obligations. Expenditures without prior certification could result in expenditures exceeding appropriations.

Finding Number	2004-002
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Noncompliance Citation – Expending Funds Above Appropriations

Ohio Revised Code Section 5705.41(B) requires that no subdivision or taxing unit expend money unless it has been appropriated.

During our compliance testing, we noted that the Township's expenditures exceeded appropriations as of December 31, 2004.



**Auditor of State
Betty Montgomery**

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JEROME TOWNSHIP

UNION 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
JANUARY 19, 2006**