

HOMER TOWNSHIP

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2005 AND DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Homer Township
10259 Spencer Road
West Salem, Ohio 44287

We have reviewed the *Independent Auditor's Report* of Homer Township, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Auditor's 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 Auditor's 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. Homer Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 23, 2007

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**HOMER TOWNSHIP
FOR THE YEARS ENDED
DECEMBER 31, 2005 and DECEMBER 31, 2004**

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INDEPENDENT AUDITOR'S REPORT

Homer Township
Medina County

To the Board of Trustees:

We have audited the accompanying financial statements of Homer Township, Medina County (the Township), as of and for the years ended December 31, 2005 and December 31, 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State 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 years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the 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.

INDEPENDENT AUDITOR'S REPORT (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 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, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund combined fund cash balances and reserves for encumbrances of Homer Township, Medina County, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2005 and December 31, 2004. The Township 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 January 5, 2007 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*. You should read it in conjunction with this report in assessing the results of our audit.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

January 5, 2007

**Homer Township
Medina County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2005**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Local Taxes	\$66,876	\$70,808	\$137,684
Intergovernmental Receipts	45,514	95,730	141,244
Rental Income	7,320	0	7,320
Licenses, Permits and Fees	0	2,595	2,595
Earnings on Investments	600	297	897
All Other Receipts	1,951	945	2,896
Total Cash Receipts	<u>122,261</u>	<u>170,375</u>	<u>292,636</u>
Cash Disbursements			
General Government	96,338	151	96,489
Public Works	1,962	193,415	195,377
Health	0	5,728	5,728
Capital Outlay	0	51,304	51,304
Debt Service:			
Redemption of Principal	0	7,506	7,506
Interest and Fiscal Charges	0	842	842
Total Cash Disbursements	<u>98,300</u>	<u>258,946</u>	<u>357,246</u>
Total Cash Receipts Over/ (Under) Disbursements	23,961	(88,571)	(64,610)
Other Financing Receipts			
Note Proceeds	0	50,000	50,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	23,961	(38,571)	(14,610)
Fund Cash Balances, January 1, 2005	<u>29,880</u>	<u>169,298</u>	<u>199,178</u>
Fund Cash Balances, December 31, 2005	<u>\$53,841</u>	<u>\$130,727</u>	<u>\$184,568</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**Homer Township
Medina County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2004**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Local Taxes	\$43,079	\$92,938	\$136,017
Intergovernmental Receipts	41,849	88,441	130,290
Rental Income	8,808	0	8,808
Licenses, Permits and Fees	0	2,720	2,720
Earnings on Investments	542	87	629
All Other Receipts	18,161	3,215	21,376
Total Cash Receipts	<u>112,439</u>	<u>187,401</u>	<u>299,840</u>
Cash Disbursements			
General Government	117,809	2,112	119,921
Public Works	2,115	147,673	149,788
Health	0	6,050	6,050
Total Cash Disbursements	<u>119,924</u>	<u>155,835</u>	<u>275,759</u>
Total Cash Receipts Over/(Under) Disbursements	(7,485)	31,566	24,081
Fund Cash Balances, January 1, 2004	<u>37,365</u>	<u>137,732</u>	<u>175,097</u>
Fund Cash Balances, December 31, 2004	<u>\$29,880</u>	<u>\$169,298</u>	<u>\$199,178</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

HOMER TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Homer Township, (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 a publicly-elected, three-member Board. The Township provides road and bridge maintenance and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, 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 a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township maintains all cash in checking and savings accounts.

D. 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 for capital projects) that are legally 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 to construct, maintain and repair Township roads and bridges.

HOMER TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Gasoline Tax Fund - This fund receives gasoline taxes to construct, maintain and repair Township roads.

E. Budgetary Process

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

Appropriations - Budgetary expenditures (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 County Budget Commission must also approve the annual appropriation measure. 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 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 2005 and 2004 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

HOMER TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand Deposits	\$170,653	\$185,298
Money Market	13,915	13,882
<i>Total Deposits and Investments</i>	\$184,568	\$199,178

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 was as follows:

2005 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,786	\$122,261	\$3,475
Special Revenue	172,735	220,375	47,640
Total	\$291,521	\$342,636	\$51,115

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,337	\$98,300	\$43,037
Special Revenue	327,704	258,946	68,758
Total	\$469,041	\$357,246	\$111,795

HOMER TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

3. **BUDGETARY ACTIVITY** (continued)

2004 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$117,801	\$112,439	(\$5,362)
Special Revenue	146,605	187,401	40,796
Total	<u>\$264,406</u>	<u>\$299,840</u>	<u>\$35,434</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$146,642	\$119,924	\$26,718
Special Revenue	263,900	155,835	108,065
Total	<u>\$410,542</u>	<u>\$275,759</u>	<u>\$134,783</u>

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 the 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.

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

Tangible personal property tax is assessed to the property owners, who must file a list of such property to the 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.

HOMER TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and December 31, 2004

5. **RETIREMENT SYSTEMS**

Employees belong to the Ohio Public Employees Retirement System (OPERS), OPERS is a cost-sharing, multiple-employer defined pension plan. This plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: 277 East Town Street, Columbus, Ohio 43215 or by calling (614)466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005 and 2004, PERS members contributed 8.5% of their gross salaries. For 2005 the Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

6. **RISK MANAGEMENT**

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

7. **DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance- Principal 2005</u>
Case 580SM Loader Backhoe	2005	2009	\$50,000	4.81%	\$42,494

Amortization of principal is scheduled as follows:

<u>Year Ending December 31,</u>	<u>Note</u>
2006	\$11,809
2007	12,389
2008	12,992
2009	5,304
Total	<u>\$42,494</u>

**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***

Homer Township
Medina County

To the Board of Trustees:

We have audited the accompanying financial statements of Homer Township, Medina County (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 5, 2007, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results

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* (continued)

of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated January 5, 2007.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

January 5, 2007



Mary Taylor, CPA
Auditor of State

HOMER TOWNSHIP

MEDINA 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
APRIL 5, 2007**