

**VILLAGE OF JEROMESVILLE
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA

Auditor of State

Village Council
Village of Jeromesville
P.O. Box 83
Jeromesville, Ohio 44840

We have reviewed the *Independent Accountants' Report* of the Village of Jeromesville, Ashland County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Accountants' 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 Accountants' 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. The Village of Jeromesville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 30, 2009

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VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Jeromesville
Ashland County
P.O. Box 83
Jeromesville, OH 44840

We have audited the accompanying financial statements of the Village of Jeromesville, Ashland County, Ohio, (the Village) as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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, if any, 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 Village has prepared its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village of Jeromesville to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2007. Instead of the combined funds the accompanying financial statements present for 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007. While the Village of Jeromesville does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Jeromesville has elected not to reformat its statements. Since the Village of Jeromesville 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Jeromesville's combined funds as of December 31, 2007, and their changes in financial position and cash flows.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Jeromesville, Ashland County, as of December 31, 2007, 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 Village of Jeromesville to include Management's Discussion and Analysis for the year ended December 31, 2007. The Village of Jeromesville 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 September 28, 2009, on our consideration of the Village of Jeromesville's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
September 28, 2009

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS:					
Property and Other Local Taxes	\$20,364	\$2,591			\$22,955
Intergovernmental Revenue	49,865	26,830		\$378,327	455,022
Charges for Services	685	3,016			3,701
Fines, Licenses, and Permits	61				61
Earnings on Investments	7,444	1,577			9,021
Other	105				105
Total Cash Receipts	78,524	34,014		378,327	490,865
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	3,235	5,385			8,620
Public Health Services	642				642
Leisure Time Activities	7,654				7,654
Community Involvement	100				100
Transportation	3,827	18,819			22,646
General Government	47,629		\$44,329		91,958
Debt Service					
Principal Payments			5,323		5,323
Capital Outlay				36,917	36,917
Total Cash Disbursements	63,087	24,204	49,652	36,917	173,860
Total Receipts Over/(Under) Disbursements	15,437	9,810	(49,652)	341,410	317,005
OTHER FINANCING RECEIPTS/DISBURSEMENTS					
Sale of Notes			49,652		49,652
Other (Uses) Sources	(1,192)	(925)			(2,117)
Total Other Financing Receipts/(Disbursements)	(1,192)	(925)	49,652		47,535
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,245	8,885		341,410	364,540
Fund Cash Balances, January 1	42,785	35,943		54,137	132,865
FUND CASH BALANCES, DECEMBER 31	\$57,030	\$44,828		\$395,547	\$497,405

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

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
OPERATING CASH RECEIPTS:	
Charges for Services	<u>\$77,376</u>
Total Operating Cash Receipts	<u>77,376</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	37,609
Contractual Services	14,758
Supplies and Materials	8,336
Capital Outlay	<u>11,258</u>
Total Operating Cash Disbursements	<u>71,961</u>
Operating Income/(Loss)	<u>5,415</u>
NON-OPERATING CASH DISBURSEMENTS:	
Other Uses	<u>376</u>
Total Non-Operating Cash Disbursements	<u>376</u>
Net Receipts over/(Under) Disbursements	5,039
Fund Cash Balances, January 1	<u>35,239</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$40,278</u></u>

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

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Jeromesville , Ashland County, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides general governmental services including water utility, park operations (leisure time activities), and police services. Fire protection is provided by the Jeromesville Community Fire District.

The Village's management believes these financial statements present all activities for which the Village 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 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.

C. Cash

All cash is held in interest-bearing demand deposits.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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 Village has the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintenance and repairing Village streets.

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (continued)

Permissive Sales Tax Fund - This fund receives a one-time payment from the Ashland County Commissioners to be used for repairing various Village streets.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness. The Village has the following Debt Service Fund:

Municipal Note Fund - This fund is used to pay the principal and interest on a note issued to purchase a building and property.

4. Capital Project Funds

These funds are 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 Village has the following Capital Projects Funds:

Sewer Construction Fund - This fund receives charges for services from water customers for the construction of the Village sewer line.

Issue II Fund - This fund is used to account for projects financed in the Village with State Issue II received from the Ohio Public Works Commission (OPWC).

5. Enterprise Funds

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department, division, or office level of control, and within each, the amount appropriated for personal services. The Council must

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

1. Appropriations (continued)

annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and need to be reappropriated in the subsequent year.

A summary of 2007 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

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

The Village 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>2007</u>
Demand deposits	<u>\$537,683</u>
Total deposits	<u><u>\$537,683</u></u>

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 follows:

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$80,941	\$ 78,524	(\$2,417)
Special Revenue	32,885	34,014	1,129
Debt Service	5,884	49,652	43,768
Capital Projects	3,950,000	378,327	(3,571,673)
Enterprise	74,000	77,376	3,376
Total	\$4,143,710	\$617,893	(\$3,525,817)

Fund Type	2007 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,727	\$64,279	\$59,448
Special Revenue	68,827	25,129	43,698
Debt Service	5,884	49,652	(43,768)
Capital Projects	4,004,137	36,917	3,967,220
Enterprise	109,239	72,337	36,902
Total	\$4,311,814	\$248,314	\$4,063,500

Contrary to Ohio law, expenditures exceeded appropriations in the Debt Service Fund Type in 2007.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 for 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 Village.

Tangible personal property tax is assessed by the property owner, 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 Village.

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation	\$61,189	4.75%
Ohio Water Development Authority	250,354	5.51%

The General Obligation Note (B) is for a municipal water project. The note will be amortized over 15 years in monthly installments of \$603, including interest of 4.75% per annum. Maturity for all unpaid principal and interest is October 1, 2018.

The Ohio Water Development Authority Note is for the design of a Wastewater Treatment System. All principal and interest are due on January 1, 2009. Interest is 5.51% per annum.

Amortization of the above debt, including interest is scheduled as follows:

<u>Years Ending December 31:</u>	<u>General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$4,427	\$2,809	\$7,236
2009	4,623	2,613	7,236
2010	4,842	2,394	7,236
2011	5,054	2,182	7,236
2012-2016	29,408	6,772	36,180
2017-2018	12,835	431	13,266
Total	\$61,189	\$17,201	\$78,390
<u>Years Ending December 31:</u>	<u>Ohio Water Development Authority</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008			
2009	\$250,354	\$60,379	\$310,733
Total	\$250,354	\$60,379	\$310,733

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2007, members contributed 9.5% of their gross salaries, respectively. The Village contributed an amount equal to and 13.75% of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan) a non-assessable, unincorporated non-profit association providing a formalized, jointly administrative self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) .

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

KNOX & KNOX

Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Jeromesville
Ashland County
P.O. Box 83
Jeromesville, OH 44840

To the Village Council

We have audited the accompanying financial statements of the Village of Jeromesville, Ashland County, Ohio, (the Village) as of and for the year ended December 31, 2007, and have issued our report thereon dated September 28, 2009, wherein we noted the Village 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 Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We did note matters that we reported to the Village's management in a separate letter dated September 28, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 one instance of noncompliance or other matters we must report under Government Auditing Standards which is shown in the accompanying schedule as Finding 2007-01

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

Knox & Knox

Orrville, Ohio
September 28, 2009.

VILLAGE OF JEROMESVILLE
ASHLAND COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

FINDING NUMBER 2007-01

Noncompliance Citation

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

Village expenditures exceeded appropriations in the following instance at December 31:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Debt Service	\$5,584	\$49,652	(\$43,768)

Client Response: None



Mary Taylor, CPA
Auditor of State

VILLAGE OF JEROMESVILLE

ASHLAND 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
DECEMBER 10, 2009**