

***VILLAGE OF JEROMESVILLE***

**ASHLAND COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2012 and 2011**







# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Jeromesville, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 29, 2013

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**VILLAGE OF JEROMESVILLE**  
**ASHLAND COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2012 and 2011**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
<b>Report of Independent Accountants</b>	<b>1-2</b>
<b>Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012</b>	<b>3</b>
<b>Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2012</b>	<b>4</b>
<b>Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011</b>	<b>5</b>
<b>Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2011</b>	<b>6</b>
<b>Notes to the Financial Statements</b>	<b>7-16</b>
<b>Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>	<b>17-18</b>
<b>Schedule of Findings</b>	<b>19</b>

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Jeromesville, Ashland County, (the Village) as of and for the years ended December 31, 2012 and 2011.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Jeromesville, Ashland County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, during 2011 the Village of Jeromesville, Ashland County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
April 29, 2013

VILLAGE OF JEROMESVILLE  
 ASHLAND COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 For the Year Ended December 31, 2012

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Debt Service	Total
<b>RECEIPTS:</b>				
Property and Other Local Taxes	\$ 29,530	\$ 3,352	\$ -	\$ 32,882
Intergovernmental	31,759	25,512	-	57,271
Charges for Services	1,363	2,766	-	4,129
Earnings on Investments	282	64	-	346
Miscellaneous	300	-	-	300
<b>Total Cash Receipts</b>	<b>63,234</b>	<b>31,694</b>	<b>-</b>	<b>94,928</b>
<b>DISBURSEMENTS:</b>				
<b>Current:</b>				
Security of Persons and Property	7,235	3,697	-	10,932
Public Health Services	625	-	-	625
Leisure Time Activities	9,117	-	-	9,117
Transportation	4,439	22,856	-	27,295
General Government	46,887	-	-	46,887
Capital Outlay	465	-	-	465
<b>Debt Service:</b>				
Retirement of Principal	-	-	18,787	18,787
Interest and Fiscal Charges	-	-	40,698	40,698
<b>Total Cash Disbursements</b>	<b>68,768</b>	<b>26,553</b>	<b>59,485</b>	<b>154,806</b>
Cash Receipts Over/(Under) Cash Disbursements	(5,534)	5,141	(59,485)	(59,878)
<b>Other Financing Sources (Uses):</b>				
Transfers-In	-	-	58,655	58,655
Other Financing Uses	(4,296)	(60)	-	(4,356)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,296)</b>	<b>(60)</b>	<b>58,655</b>	<b>54,299</b>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(9,830)	5,081	(830)	(5,579)
Fund Cash Balance, January 1, 2012	77,739	24,312	4,374	106,425
<b>Fund Cash Balances:</b>				
Restricted	-	29,393	-	29,393
Committed	-	-	3,544	3,544
Unassigned	67,909	-	-	67,909
<b>Fund Cash Balance, December 31, 2012</b>	<b>\$ 67,909</b>	<b>\$ 29,393</b>	<b>\$ 3,544</b>	<b>\$ 100,846</b>

See Accompanying Notes to the Financial Statements

**VILLAGE OF JEROMESVILLE**  
**ASHLAND COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**ALL PROPRIETARY FUND TYPES**  
**For the Year Ended December 31, 2012**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	\$ 228,755
Miscellaneous	8,257
	237,012
<b>Total Operating Cash Receipts</b>	<b>237,012</b>
<b>OPERATING CASH DISBURSEMENTS</b>	
Personal Services	22,104
Contractual Services	74,891
Supplies and Materials	4,846
	101,841
<b>Total Operating Cash Disbursements</b>	<b>101,841</b>
<b>Operating Income (Loss)</b>	<b>135,171</b>
<b>NON OPERATING CASH RECEIPTS/ (DISBURSEMENTS)</b>	
Capital Outlay	(16,760)
Other Financing Uses	(511)
Miscellaneous	(1,923)
Debt Service:	
Retirement of Principal	(7,259)
Interest and Fiscal Charges	(1,694)
	(28,147)
<b>Total Non Operating Cash Receipts/ (Disbursements)</b>	<b>(28,147)</b>
<b>Income (Loss) Before Interfund Transfers/Advances</b>	<b>107,024</b>
Transfers-Out	(58,655)
Advances-In	8,400
Advances-Out	(8,400)
	48,369
<b>Net Income (Loss)</b>	<b>48,369</b>
<b>Fund Cash Balance, January 1, 2012</b>	<b>134,744</b>
<b>Fund Cash Balance, December 31, 2012</b>	<b>\$ 183,113</b>

See Accompanying Notes to the Financial Statements

VILLAGE OF JEROMESVILLE  
 ASHLAND COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 For the Year Ended December 31, 2011

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	
<b>RECEIPTS:</b>					
Property and Other Local Taxes	\$ 29,742	\$ 3,283	\$ -	-	\$ 33,025
Intergovernmental	50,464	25,184	-	\$ 104,940	180,588
Charges for Services	1,032	2,764	-	-	3,796
Earnings on Investments	586	58	-	-	644
<b>Total Cash Receipts</b>	<b>81,824</b>	<b>31,289</b>	<b>-</b>	<b>104,940</b>	<b>218,053</b>
<b>DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons and Property	8,728	2,507	-	-	11,235
Public Health Services	640	-	-	-	640
Leisure Time Activities	3,130	-	-	-	3,130
Transportation	1,562	23,630	-	-	25,192
General Government	51,876	-	-	-	51,876
Capital Outlay	-	-	-	104,940	104,940
<b>Debt Service:</b>					
Retirement of Principal	-	-	52,400	-	52,400
Interest and Fiscal Charges	-	-	41,882	-	41,882
<b>Total Cash Disbursements</b>	<b>65,936</b>	<b>26,137</b>	<b>94,282</b>	<b>104,940</b>	<b>291,295</b>
Cash Receipts Over/(Under) Cash Disbursements	15,888	5,152	(94,282)	-	(73,242)
<b>Other Financing Sources (Uses):</b>					
Transfers-In	-	-	67,401	-	67,401
Other Financing Uses	(3,839)	(1,541)	-	-	(5,380)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,839)</b>	<b>(1,541)</b>	<b>67,401</b>	<b>-</b>	<b>62,021</b>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	12,049	3,611	(26,881)	-	(11,221)
Fund Cash Balance, January 1, 2011	65,690	20,701	31,255	-	117,646
<b>Fund Cash Balances:</b>					
Restricted	-	24,312	-	-	24,312
Committed	-	-	4,374	-	4,374
Unassigned	77,739	-	-	-	77,739
<b>Fund Cash Balance, December 31, 2011</b>	<b>\$ 77,739</b>	<b>\$ 24,312</b>	<b>\$ 4,374</b>	<b>\$ -</b>	<b>\$ 106,425</b>

See Accompanying Notes to the Financial Statements

**VILLAGE OF JEROMESVILLE**  
**ASHLAND COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**ALL PROPRIETARY FUND TYPES**  
**For the Year Ended December 31, 2011**

	Proprietary Fund Type
	Enterprise
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	\$ 217,072
Miscellaneous	130
	217,202
<b>Total Operating Cash Receipts</b>	<b>217,202</b>
<b>OPERATING CASH DISBURSEMENTS</b>	
Personal Services	23,140
Contractual Services	70,942
Supplies and Materials	4,951
	99,033
<b>Total Operating Cash Disbursements</b>	<b>99,033</b>
<b>Operating Income (Loss)</b>	<b>118,169</b>
<b>NON OPERATING CASH RECEIPTS/ (DISBURSEMENTS)</b>	
Capital Outlay	(97,455)
Proceeds of Note	47,251
Other Financing Uses	(2,426)
Debt Service:	
Retirement of Principal	(50,895)
Interest and Fiscal Charges	(5,789)
	(109,314)
<b>Total Non Operating Cash Receipts/ (Disbursements)</b>	<b>(109,314)</b>
<b>Income (Loss) Before Interfund Transfers/Advances</b>	<b>8,855</b>
Transfers-Out	(67,401)
Advances-In	42,100
Advances-Out	(42,100)
	(67,401)
<b>Net Income (Loss)</b>	<b>(58,546)</b>
<b>Fund Cash Balance, January 1, 2011</b>	<b>193,290</b>
<b>Fund Cash Balance, December 31, 2011</b>	<b>\$ 134,744</b>

See Accompanying Notes to the Financial Statements

**VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Jeromesville, Ashland County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street repair and maintenance, and water and sewer services to the residents of the Village. The Village contracts with the Ashland County Sheriff's Department to provide security of persons and property. The Jeromesville Community Fire Department provides fire protection services to the Village residents.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. DEPOSITS AND INVESTMENTS**

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

**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 reports all financial resources except those required to be accounted for in another fund.

VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011

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

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

These funds account for the proceeds of specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

*Street Light Levy Fund* – This fund receives levy money for the operation of the Village's street lights.

3. **Debt Service Fund**

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

*Sewer Debt Fund* – This fund is used to pay the principal and interest on a loan obtained to construct a Wastewater Treatment System.

4. **Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following Capital Project Fund:

*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**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

*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.

VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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 object level and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations at year-end are carried over to the subsequent year.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 canceled.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. FUND BALANCE

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

1. **Nonspendable**

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

2. **Restricted**

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

VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011

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

F. **FUND BALANCE** – (Continued)

3. **Committed**

Council can *commit* amounts via formal action by resolution or ordinance. The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

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

5. **Unassigned**

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

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

G. **PROPERTY, PLANT AND EQUIPMENT**

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

H. **ACCUMULATED LEAVE**

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

VILLAGE OF JEROMESVILLE  
 ASHLAND COUNTY, OHIO  
 Notes to the Financial Statements  
 For The Years Ended December 31, 2012 and 2011

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

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

	<u>2012</u>	<u>2011</u>
Demand Deposits	<u>\$283,959</u>	<u>\$241,169</u>
Total	<u>\$283,959</u>	<u>\$241,169</u>

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 is as follows:

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 64,667	\$ 63,234	\$ (1,433)
Special Revenue	30,517	31,694	1,177
Debt Service	59,487	58,655	(832)
Enterprise	165,073	245,412	80,339

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 142,406	\$ 73,064	\$ 69,342
Special Revenue	54,829	26,613	28,216
Debt Service	63,861	59,485	4,376
Enterprise	299,817	197,043	102,774

VILLAGE OF JEROMESVILLE  
 ASHLAND COUNTY, OHIO  
 Notes to the Financial Statements  
 For The Years Ended December 31, 2012 and 2011

3. **BUDGETARY ACTIVITY** – (Continued)

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 68,254	\$ 81,824	\$ 13,570
Special Revenue	31,346	31,289	(57)
Debt Service	63,027	67,401	4,374
Capital Projects	104,940	104,940	-
Enterprise	210,190	306,553	96,363

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 133,594	\$ 69,775	\$ 63,819
Special Revenue	51,897	27,678	24,219
Debt Service	94,282	94,282	-
Capital Projects	104,940	104,940	-
Enterprise	402,801	365,099	37,702

4. **PROPERTY TAXES**

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

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

Tangible personal property tax is assessed by 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 Village.

**VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011**

**5. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$945,900	4.25%
General Obligation Note	35,903	4.25%
Ohio Public Works Commision Loan	134,657	0.00%
Total	<u>\$1,116,460</u>	

The USDA loan relates to the construction of a Wastewater Treatment System. The loan will be repaid in annual installments. Interest is 4.25% per annum. Final maturity is in 2048.

The General Obligation Note relates to a municipal water project. The note will be repaid in monthly installments of \$747. Interest is 4.25%. Final maturity is 2017.

The Ohio Public Works Commission (OPWC) loan relates to a water treatment plant improvement project. The loan will be repaid in semi-annual installments of \$3,544, over 20 years. Interest is 0%. Final maturity is 2031.

Amortization of the above debt is scheduled as follows:

Year ending Decemebr 31:	<u>USDA Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$12,200	\$40,201	\$52,401
2014	12,700	39,682	52,382
2015	13,300	39,142	52,442
2016	13,800	38,577	52,377
2017	14,400	37,991	52,391
2018-2022	81,900	180,218	262,118
2023-2027	100,800	161,283	262,083
2028-2032	124,100	137,960	262,060
2033-2037	152,800	109,251	262,051
2038-2042	188,200	73,894	262,094
2043-2047	231,700	29,662	261,362
Total	<u>\$945,900</u>	<u>\$887,861</u>	<u>\$1,833,761</u>

Year ending Decemebr 31:	<u>General Obligation Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$7,522	\$1,431	\$8,953
2014	7,851	1,102	8,953
2015	7,875	1,078	8,953
2016	8,237	716	8,953
2017	4,418	59	4,477
Total	<u>\$35,903</u>	<u>\$4,386</u>	<u>\$40,289</u>

**VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011**

**5. DEBT – (Continued)**

Year ending December 31:	<u>OPWC Loan</u>
2013	\$7,087
2014	7,087
2015	7,087
2016	7,087
2017	7,087
2018-2022	35,435
2023-2027	35,435
2028-2031	<u>28,352</u>
Total	<u><u>\$134,657</u></u>

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, respectively of their gross salaries and the Village contributed an amount equaling 14%, respectively of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**7. RISK POOL MEMBERSHIP**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

**VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011**

**7. RISK POOL MEMBERSHIP – (Continued)**

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available).

	2011	2010
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	\$7,172,519	\$7,191,485

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. INTERFUND ADVANCES**

In 2011, the Village loaned \$30,000 of Sewer Fund money to the Water Fund. As of December 31, 2012, the amount outstanding was \$22,500. Also in 2011, the Village loaned \$10,000 from the Sewer Capital Improvement Fund to the Water Fund. As of December 31, 2012, the amount outstanding was \$7,000. The loan repayments are as follows:

	Sewer Fund Loan	Sewer Capital Improvement Fund Loan
Year ending December 31:		
2013	\$6,000	\$2,400
2014	6,000	2,400
2015	6,000	2,200
2016	4,500	-
Total	\$22,500	\$7,000

**9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For The Years Ended December 31, 2012 and 2011**

**10. CHANGE IN ACCOUNTING PRINCIPLE**

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Jeromesville  
Ashland County  
P.O. Box 80  
Jeromesville, OH 44840

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Jeromesville, Ashland County (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated April 29, 2013, wherein we noted the Village followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-Jeromesville-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village'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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



***Charles E. Harris and Associates, Inc.***  
April 29, 2013

VILLAGE OF JEROMESVILLE  
ASHLAND COUNTY

SCHEDULE OF FINDINGS  
December 31, 2012 and 2011

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

**Finding Number 2012-Jeromesville-001 – Material Weakness**

The Village Officers' Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2011 and 2012, the Village erroneously recorded several transactions. The more significant adjustments are as follows:

- Directly recorded customers' water and sewer payments into the Debt Service Fund rather than recording all payments as Charges for Services in the Enterprise Fund, then transferring the required amount into the Debt Service Fund
- Recorded all principal and interest payments as Interest and Other Fiscal Charges (this was the result of the accounting software company's not transposing amounts correctly)
- Failed to record the proceeds of a promissory note that was obtained to pay off an existing promissory note. Also, failed to record the corresponding principal payment associated with the payoff.

Adjustments were made in the financial statements and the Village's records to reflect the proper presentation.

We recommend that the Village refer to the Village Officer's Handbook and UAN accounting system to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by the computer software company to ensure their accuracy.

**Management Response:**

Management no longer puts money monthly into debt service. They transfer it semi-annually out of the Water Fund for the OPWC loan and annually out of the Sewer Fund for the USDA loan. Management will make sure that when the annual report is prepared that it is broken out into principle and interest as I recorded it on the books.



# Dave Yost • 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  
JUNE 11, 2013**