

Rome Township

Lawrence County, Ohio

Regular Audit

For the Years Ended December 31, 2004 and 2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Rome Township, Lawrence County  
31 Township Rd. 1194  
Proctorville, OH 45669

We have reviewed the *Independent Auditor's Report* of Rome Township, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., 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 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. Rome Township, Lawrence County is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

February 28, 2006

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**ROME TOWNSHIP  
LAWRENCE COUNTY**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Board of Trustees  
Rome Township  
Lawrence County, Ohio  
31 Township Road 1194  
Proctorville, OH 45669

We have audited the accompanying financial statements of Rome Township, Lawrence County, (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 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 reasonably assure 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 government 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. 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 require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds accompanying financial statements presented 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 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 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 are materially misstated under 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 Township's combined funds as of December 31, 2004, or their 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 combined fund cash balances of Rome Township, Lawrence 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.



Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$105,691	\$182,822	\$288,513
Intergovernmental	29,056	112,674	141,730
Earnings on Investments	1,572	278	1,850
All Other Revenue	392	2,500	2,892
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	136,711	298,274	434,985
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	97,532	0	97,532
Public Safety	0	49,118	49,118
Public Works	25,889	135,080	160,969
Health	906	0	906
Capital Outlay	45,000	8,000	53,000
Debt Service:			
Redemption of Principal	0	5,129	5,129
Interest and Fiscal Charges	0	605	605
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	169,327	197,932	367,259
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(32,616)	100,342	67,726
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Public Debt:			
Other Proceeds from Sale of Public Debt	205,000	0	205,000
Other Financing Uses	(2,784)	0	(2,784)
	<hr/>	<hr/>	<hr/>
Total Other Financing Uses	202,216	0	202,216
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	169,600	100,342	269,942
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	186,121	185,263	371,384
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$355,721</u></b>	<b><u>\$285,605</u></b>	<b><u>\$641,326</u></b>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$590	\$914	\$1,504
	<hr/>	<hr/>	<hr/>

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



**ROME TOWNSHIP  
LAWRENCE COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$81,115	\$181,358	\$262,473
Intergovernmental	48,493	92,954	141,447
Earnings on Investments	1,843	268	2,111
All Other Revenue	436	9,838	10,274
	<u>131,887</u>	<u>284,418</u>	<u>416,305</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	94,449	0	94,449
Public Safety	245	40,606	40,851
Public Works	35,712	135,344	171,056
Health	13,012	0	13,012
Capital Outlay	4,000	0	4,000
Debt Service:			
Redemption of Principal	0	182,411	182,411
Interest and Fiscal Charges	0	6,241	6,241
	<u>147,418</u>	<u>364,602</u>	<u>512,020</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(15,531)</u>	<u>(80,184)</u>	<u>(95,715)</u>
<b>Other Financing Sources:</b>			
Other Financing Uses	(947)	0	(947)
Total Other Financing Sources	<u>(947)</u>	<u>0</u>	<u>(947)</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	(16,478)	(80,184)	(96,662)
Fund Cash Balances, January 1	<u>202,599</u>	<u>265,447</u>	<u>468,046</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$186,121</u></b>	<b><u>\$185,263</u></b>	<b><u>\$371,384</u></b>
Reserve for Encumbrances, December 31	<u>\$1,357</u>	<u>\$2,416</u>	<u>\$3,773</u>

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

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Rome Township, Lawrence 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 a publicly-elected three-member Board of Trustees and a publicly-elected Township Clerk. The Township provides general governmental services, including road and bridge maintenance and fire protection. The Township contracts with the Rome Township Volunteer Fire Department to provide fire services.

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 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**

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

During the fiscal year 2004 and 2003, investments were limited to certificates of deposit which are reported at cost.

**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:

**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 Township had the following significant Special Revenue Funds:

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

*Motor Vehicle License Tax Fund* – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township road.

*Gasoline Tax Fund* - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

*Fire Fund* – This fund receives property tax money to provide fire protection through contracts with governmental entities.

*Permissive Tax Fund* – The fund receives state sales tax money for constructing, maintaining and repairing Township road and bridges.

**E. Budgetary Process**

The Ohio Revised Code requires that each be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

**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.

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

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

**E. Budgetary Process**

**3. Encumbrances**

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

A summary of 2004 and 2003 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 leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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

The Township maintains a cash and investments 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><b>2004</b></u>	<u><b>2003</b></u>
Demand deposits	\$631,326	\$361,384
Certificates of deposit	10,000	10,000
Total Deposits	<u>641,326</u>	<u>371,384</u>

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$377,556	\$341,711	(\$35,845)
Special Revenue	208,786	298,274	89,488
Total	\$586,342	\$639,985	53,643

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$315,034	\$172,701	\$142,333
Special Revenue	394,047	198,846	195,201
Total	\$709,081	\$371,547	\$337,534

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,290	\$131,887	\$54,597
Special Revenue	214,004	284,418	70,414
Total	\$291,294	\$416,305	\$125,011

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$280,459	\$149,722	\$130,737
Special Revenue	478,538	367,018	111,520
Total	\$758,997	\$516,740	\$242,257

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, the first half is due December 31. The second half payment is due the following June 20.

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**4. PROPERTY TAX (Continued)**

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

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 Township.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Bonds	\$160,000	4.54%
Road Equipment Bonds	45,000	4.05%
General obligation note	<u>10,959</u>	4.30%
	<u>\$215,959</u>	

The note was issued to finance the purchase of a dump truck and spreader to be used for Township roads. The note is collateralized by the taxing authority.

The Building Bonds were issued to finance the purchase of property within the Township. The bonds are collateralized by the taxing authority.

The Road Equipment Bonds were issued to finance the purchase of a road grader to be used for Township roads. The bonds are collateralized by the taxing authority.

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

	<u>General Obligation Note</u>	<u>General Obligation Bonds</u>
Year ending December 31:		
2005	\$5,773	\$30,383
2006	5,773	30,383
2007	0	30,383
2008	0	30,383
2009	0	30,383
2010-2014	<u>0</u>	<u>101,300</u>
Total	<u>\$11,546</u>	<u>\$253,215</u>

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**7. RETIREMENT SYSTEM**

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2005 and 2003, 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.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000 on any specific loss. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**8. RISK MANAGEMENT (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained Earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>		
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained Earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

**9. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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Ohio Society of Certified Public Accountants

**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  
Rome Township  
Lawrence County, Ohio  
31 Township Road 1194  
Proctorville, OH 45669

We have audited the accompanying financial statements of Rome Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 31, 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 audits 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 audits, we considered the Township's internal control over financial reporting in order to determine 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 over financial reporting that might be material weaknesses. A material weakness is a 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 operation 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 audits and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Rome Township  
Lawrence County  
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*

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

**ROME TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-40744-001	Revised Code 5705.41(D), no prior certification	Yes	





**Auditor of State  
Betty Montgomery**

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**ROME TOWNSHIP  
LAWRENCE 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  
MARCH 14, 2006**