



**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2013-2012



Dave Yost • Auditor of State

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jerome/Washington Township Fire New Community Authority
Union County
495 S. High Street, Suite 150
Columbus, OH 43215

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Jerome/Washington Township Fire New Community Authority, Union County, Ohio (the Authority), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 Authority'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 Authority'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Jerome/Washington Township Fire New Community Authority, Union County as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2014, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 and 2012
(UNAUDITED)**

The management's discussion and analysis of the Jerome/Washington Township Fire New Community Authority, Union County, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the fiscal years ended December 31, 2013 and 2012. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority encourages the orderly development of the Tartan Ridge, diversified community of approximately 189 acres in Union County.
2. Net position at December 31, 2013 totaled a negative \$637,755. Net position at December 31, 2012 totaled a negative \$562,952. The negative net position is caused by the costs incurred for operating expenses.
3. The Authority's debt will be paid through the collection of community development charges imposed on the residences benefiting from the specified road improvements.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position provide information about the activities of the Authority. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all liabilities, and all deferred inflows are included in the Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These financials look at all financial transactions and asks the question, how did we do financially? The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer this question. These statements include all assets, liabilities, deferred inflows, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in net position. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 and 2012
(UNAUDITED)**

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis

Table 1 provides a summary of Authority's net position for fiscal years 2013 and 2012.

	Table 1 Net Position	
	<u>2013</u>	<u>2012</u>
Assets:		
Current Assets	\$ 652,699	\$ 580,281
Total Assets	<u>652,699</u>	<u>580,281</u>
Liabilities:		
Current Liabilities	<u>666,828</u>	<u>588,380</u>
Total Liabilities	<u>666,828</u>	<u>588,380</u>
Deferred Inflows of Resources:		
Deferred Inflows	<u>623,626</u>	<u>554,853</u>
Total Deferred Inflows	<u>623,626</u>	<u>554,853</u>
Net Position:		
Unrestricted	<u>\$ (637,755)</u>	<u>\$ (562,952)</u>

The increases in current assets, current liabilities, and deferred inflows is due to continued development in the Authority, which results in growing receivables from an increase in Community Development Charges.

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**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 and 2012
(UNAUDITED)**

Table 2 reflects the changes in net position for fiscal years 2013 and 2012.

Table 2
Change in Net Position

	2013	2012
Operating Revenue		
Community Development Income	\$ 43,909	\$ 46,372
Total Operating Revenue	43,909	46,372
 Operating Expenses		
Community Development Expenses	54,500	28,917
Legal - Squire, Sanders & Dempsey	39,586	20,944
Insurance - Hillborn Insurance	678	0
Total Operating Expenses	94,764	49,861
 Nonoperating Expenses		
Interest Expense	23,948	33,527
Total Expenses	118,712	83,388
 Change in Net Position	(74,803)	(37,016)
 Net position, beginning	(562,952)	(525,936)
Net position, ending	\$ (637,775)	\$ (562,952)

Change in Net Position: The Authority had decreases in net position for both years presented. The decreases are due to continued development in the Authority, which has resulted in increased operating expenses related to the continuance of the community development project.

Revenues from Community Development Charges paid by each owner of a chargeable parcel will be used to pay the cost to construct needed infrastructure located within the Authority. The Community Development Charge is calculated on thirty-five percent of the assessed value of chargeable property, which includes buildings, structures, and improvements. The Community Development Charge is currently levied at 4 mills. The amount of revenue will increase in years when available parcels are sold and improvements are made, thus increasing the total assessed value of chargeable property.

Budgeting

The Authority is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Debt Obligations

The Authority has \$478,963 of short term note obligations at December 31, 2013 and 2012. Note 6 summarizes the debt obligations.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Charles P. Driscoll, Chairman, Jerome/Washington Township Fire New Community Authority, 495 South High Street, Suite 150, Columbus, Ohio 43215, 614-241-2070.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012**

	2013	2012
Assets		
Cash	\$ 43,346	\$ 25,428
Accounts Receivable - Community Development	609,353	554,853
Total Assets	652,699	580,281
Liabilities		
Account Payable	130,390	75,890
Note Payable	478,963	478,963
Interest Payable	57,475	33,527
Total Liabilities	666,828	588,380
Deferred Inflows of Resources		
Deferred Inflows of Community Development Income	609,353	554,853
Deferred Inflows of Prepaid Community Development Income	14,273	-
	623,626	554,853
Net Position		
Unrestricted Net Position (Deficit)	(637,755)	(562,952)
Total Net Position	\$ (637,755)	\$ (562,952)

See accompanying notes to the basic financial statements.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Operating Revenue		
Community Development Income	\$ 43,909	\$ 46,372
Total Operating Revenue	43,909	46,372
Operating Expenses		
Community Development Expenses	54,500	28,917
Legal - Squire, Sanders & Dempsey	39,586	20,944
Insurance - Hillborn Insurance	678	-
Total Operating Expenses	94,764	49,861
Operating Loss	(50,855)	(3,489)
Nonoperating Expenses		
Interest Expense	(23,948)	(33,527)
Total Nonoperating Expenses	(23,948)	(33,527)
Change in Net Position	(74,803)	(37,016)
Net Position, Beginning Balance	(562,952)	(525,936)
Net Position, Ending Balance	\$ (637,755)	\$ (562,952)

See accompanying notes to the basic financial statements.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Cash Flows from operating activities		
Cash received from community development charges	\$ 58,182	\$ 46,372
Cash paid for legal fees	(39,586)	(20,944)
Cash paid for Insurance	(678)	-
Net cash provided by operating activities	\$ 17,918	\$ 25,428
 Cash at Beginning of Year	 25,428	 -
 Cash at End of Year	 \$ 43,346	 \$ 25,428
 Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(50,855)	\$ (3,489)
Adjustments of operating loss to net cash provided by operating activities:		
Change in operating assets, liabilities and deferred inflows		
Decrease in accounts receivable	3,682	17,455
Increase in accounts payable	54,500	28,917
Decrease in deferred inflows - community development income	(3,682)	(17,455)
Increase in deferred inflows - prepaid community development income	14,273	-
Net change in operating assets, liabilities, and deferred inflows	68,773	28,917
Net cash provided by operating activities	\$ 17,918	\$ 25,428

See accompanying notes to the basic financial statements.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 – REPORTING ENTITY

The Jerome/Washington Township Fire New Community Authority, Union County, Ohio (the Authority) is a “community authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On October 12, 2007, Tartan Ridge, LLC (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Union County, Ohio. The Petition, which may be subject to amendment or change, allows the Authority to finance the costs of publicly owned and operated community facilities with assessed Community Development Charges. By its Resolution, the County Commissioners determined that the new community district would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby organized as a body corporate and politic in the State.

The Authority is governed by a seven member Board of Trustees. At inception, the Board of County Commissioners of Union County appointed four of the trustees and the remaining three were appointed by the Developer.

At December 31, 2013, the Authority is comprised of approximately 189 acres of land located in Southern Union County, Ohio. In accordance with the Act and the Petition, the Authority can levy a community development charge up to 6.0 mills on the assessed value of the land and improvements within the District. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Authority’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The Authority’s basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows associated with the operation of Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

C. Cash

Cash received by the Authority is deposited with a financial institution. Deposits having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At December 31, 2013 and 2012, the carrying and bank balance amount of the Authority's deposits were \$43,346 and \$25,248, respectively. Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance, and thus none of the Authorities cash is subject to custodial risk.

D. Net Position

Net position represents the difference between assets, deferred inflows of resources and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net positions are available. The Authority had no restricted net position at fiscal year end 2013 and 2012.

E. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are community development charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 – NET POSITION DEFICIT

At December 31, 2013 and 2012, the Authority has a net position deficit of \$637,755 and \$562,952 respectively. This deficit is the result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The Authority incurred the costs of acquiring, constructing, or improving community facilities. The titles to these assets have been transferred to other local governments with the related costs recorded as a capital contribution expense to the receiving entity.

NOTE 4 – COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 6.00 mills on the assessed value of all property within the developed property. The charge is currently levied at 4.00 mills. Charge revenue recognized represents the amount levied on the current year.

Charge assessments are levied October 1 on the assessed values as of September 30 (the lien date). The assessed value is established by state law at 35% of the current market value, the sales price, or the permit value, which ever is the highest. Market values are determined by the Authority based on the County Auditor's appraisal, lot values, or a calculated cost for occupied homes that have not yet been appraised by the County Auditor. The permit values are supplied by the City of Dublin.

NOTE 5 – CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Authority.

NOTE 6 – DEBT OBLIGATIONS - SHORT TERM

On August 8, 2011, the Authority entered into a promissory note with Tartan Ridge, LLC. (Payee) in the amount of \$478,963 to be repaid with an interest rate of 5%. The entire unpaid principal balance together with accrued interest shall be due and payable on or before January 1, 2020. The proceeds have been used for community development expenses.

As of December 31, 2013 and 2012, the Authority has an outstanding short term note balance of \$478,963. The Authority failed to make required annual interest payments on the debt during 2013 and 2012, causing the material noncompliance. The payee has the ability to increase the interest rate by four percent or call the note at anytime for collection, but took no such action during 2013 or 2012.

NOTE 7 – RELATED PARTY TRANSACTION

Tartan Ridge, LLC, paid for services for community development for the Authority. The Authority entered into a promissory note (see Note 6) and other current liabilities to Tartan Ridge, LLC. The total outstanding owed, including interest to Tartan Ridge, LLC. at December 31, 2013 and 2012, is \$666,828 and \$588,380, respectfully.

Tartan Ridge, LLC. is a subsidiary of Edwards Companies, Inc. Three Board of Trustee members are employed by Edwards Companies, Inc.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 – IMPLEMENTED ACCOUNTING PRINCIPLES

For fiscal year 2013 and 2012, the Authority has implemented Governmental Accounting Standards Board (GASB) *Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,"* Statement No. 62, "Codification of Accounting and financial Reporting Guidance Contained in Pre- November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53,*" Statement No. 65 "Items Previously Reported as Assets and Liabilities," and Statement No. 66 "Technical Corrections – 2012 – and amendment of GASB Statements No. 10 and No. 62."

GASB *Statement No. 60* improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Authority's financial statements.

GASB *Statement No. 61* modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the Authority's financial statements.

GASB *Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989.

GASB *Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. The implementation effects were incorporated in the Authority's fiscal year 2013 and 2012 financial statements.

GASB *Statement No. 64* clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the Authority's financial statements.

GASB *Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation effects were incorporated in the Authority's fiscal year 2013 and 2012 financial statements.

GASB *Statement No. 66* resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhances the usefulness of the financial reports. The implementation of this statement did not result in any change in the Authority's financial statements.



Dave Yost • Auditor of State

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

Jerome/Washington Township Fire New Community Authority
Union County
495 S. High Street, Suite 150
Columbus, Ohio 43215

To the Board of Trustees:

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 business-type activities of Jerome/Washington Township Fire New Community Authority, Union County, (the Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 21, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority'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 Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-003 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Annual Financial Reporting Filing – Noncompliance

Ohio Rev. Code § 117.38 states that public offices reporting pursuant to generally accepted accounting principles must file annual reports with the Auditor of State within 150 days following the close of fiscal year end. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Also, at the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The Authority did not file its annual GAAP financial report to the Auditor of State for 2013 or 2012, and did not file for an extension.

Failure to file the annual financial report within 150 days of the fiscal year-end can result in fines and penalties.

We recommend the Authority file their annual GAAP financial report to the Auditor of State within 150 days of fiscal year end and ensure the filing is accurate and complete. We also recommend the Authority publish notice of the availability of their annual financial report.

FINDING NUMBER 2013-002

Promissory Note Repayment – Noncompliance

The Authority's promissory note agreement with Tartan Ridge, LLC provides that the Authority is required to make annual interest payments beginning September 1, 2011, with the entire unpaid principal, plus any accrued interest being payable on or before January 1, 2020.

The Authority did not make any interest payments on the promissory note during 2013 or 2012 and the payee took no action against the Authority as a result of this default.

Failure to make interest payments within 15 days of the due date gives the payee the discretion, without demand or notice, to add four percent to the interest rate for interest computed after the default event or demand immediate repayment of all principal plus accrued interest, or both.

We recommend the Authority review the promissory note and develop procedures and controls to ensure all interest and principal payments are made in accordance with the approved repayment schedule.

**JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Authority's Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments were made to the Authority's financial statements and ledgers at December 31, 2013 and 2012:

- Adjustment of Beginning Net Position totaling \$525,936 to properly reflect Accounts Payable, Note Payable, Accounts Receivable, and Deferred Inflows - Community Development related to fiscal year 2011.
- Gross-Up of Community Development Expenses totaling \$54,500 and \$28,917 in 2013 and 2012, respectively.
- Reclassification of Prepaid Assessments to Deferred Inflows - prepaid assessments totaling \$14,273 in 2013
- Reclassification of Interest Expense from Operating Expenses to Nonoperating expenses totaling \$23,948 and \$33,527 in 2013 and 2012, respectively.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Authority continue to develop and enhance policies and procedures over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Authority and thereby increases the reliability of the financial data throughout the year.

Officials' Response

We did not receive an Official's responses for the findings reported above.



Dave Yost • Auditor of State

JEROME/WASHINGTON TOWNSHIP FIRE NEW COMMUNITY AUTHORITY

UNION COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2014**