

JEROME TOWNSHIP
COLUMBUS REGION, UNION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
Jerome Township
9777 Industrial Parkway
Plain City, Ohio 43064

We have reviewed the *Independent Auditors' Report* of Jerome Township, Union County, prepared by Holbrook & Manter, for the audit period January 1, 2006 through December 31, 2006. 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.

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. Jerome Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 22, 2008

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report.....	3-4
Management's Discussion and Analysis.....	5-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets - Cash Basis As of December 31, 2006.....	11
Statement of Activities - Cash Basis For the Year Ended December 31, 2006	12
Statement of Cash Basis Assets and Fund Balances - Governmental Funds - As of December 31, 2006	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds For the Year Ended December 31, 2006.....	14
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance - Budget and Actual - (Budget Basis) - General Fund For the Year Ended December 31, 2006.....	15
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance - Budget and Actual - (Budget Basis) - Road and Bridge Fund For the Year Ended December 31, 2006.....	16
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance - Budget and Actual - (Budget Basis) - Fire District Fund For the Year Ended December 31, 2006.....	17
Notes to the Basic Financial Statements.....	18-27
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	28-29
Schedule of Audit Findings.....	30
Schedule of Prior Year Audit Findings.....	31



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jerome Township
Union County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township, Union County, Ohio, (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 audits.

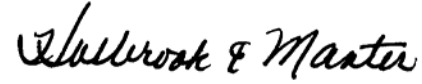
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

As discussed in Note 2, the Township has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township, Union County, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge Fund and Fire District Fund thereof for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2008 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information, accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Shullbrook & Mante". The script is cursive and somewhat stylized.

Certified Public Accountants

January 23, 2008

**JEROME TOWNSHIP
UNION COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

This discussion and analysis of Jerome Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$107,507, or 5.3% from the prior year. The fund most affected by the decrease in cash was the General Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Township's general receipts are primarily property and other local taxes. These receipts represent 76.6% of the total cash received for governmental activities during the year. Property tax receipts for 2006 changed very little compared to 2005 as development within the Township remained constant.

The Township placed a levy on the November 2006 ballot to fund the current Public Safety Officer (PSO) program and to increase the level of service provided by this program for the years 2007 through 2011. This levy failed. As a result, the Board of Trustees have not increased the level of service as planned. The Township will most likely place this item on the ballot again in 2007.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

JEROME TOWNSHIP
UNION COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function type activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township has only one type of activity to report:

Governmental activities- Most of the Township's basic services are reported here, including police, fire, roads and parks. Property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are in one category: governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road and Bridge Fund, and the Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**JEROME TOWNSHIP
UNION COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets:-		
Cash and cash equivalents	\$ 1,912,803	\$ 2,020,310
Total assets	\$ 1,912,803	\$ 2,020,310
 Net Assets:-		
Restricted for:-		
Capital outlay	\$ 150,000	\$ 200,000
Other Purposes	1,328,923	1,314,779
Unrestricted	433,880	505,531
Total net assets	\$ 1,912,803	\$ 2,020,310

As mentioned previously, net assets of governmental activities decreased \$ 107,507 or 5.3% during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- The Township is funding the Public Safety Officer program from the General Fund. The total cost of this program for 2006 was \$163,554 resulting in a current year deficit in the General fund of \$71,651.
- The Township had several roads that were in need of repair costing \$143,238 which was paid from the Gasoline Tax Fund and the Road and Bridge Fund.
- Health benefit costs continued to increase as reflected across the industry.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities.

**JEROME TOWNSHIP
UNION COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

(Table 2)

Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:-		
Program Receipts:-		
Charges for Services and Sales	\$ 294,442	\$ 177,832
Operating Grants and Contributions	\$ 101,561	\$ 148,103
Total Program Receipts	396,003	325,935
General Receipts:		
Property and Other Taxes	1,524,464	1,424,810
Grants and Entitlements Not Restricted to Specific Programs	67,375	75,990
Sale of Capital Assets	10,000	0
Interest	100,446	68,682
Miscellaneous	40,964	14,630
Total General Receipts	1,743,249	1,584,112
Total Receipts	2,139,252	1,910,047
Disbursements:-		
General Government	281,846	224,435
Public Safety	1,498,865	1,326,540
Public Works	316,380	310,958
Health	3,571	8,992
Conservation - Recreation	6,321	10,628
Capital Outlay	139,776	413,787
Total Disbursements	2,246,759	2,295,340
Increase (Decrease) in Net Assets	(107,507)	(385,293)
Net Assets, January 1	2,020,310	2,405,603
Net Assets, December 31	\$ 1,912,803	\$ 2,020,310

Program receipts represent only 18.5% of total receipts and are primarily comprised of zoning permits and charges to Millcreek Township for fire services provided under contract.

General receipts represent 81.5% of the Township's total receipts, and of this amount, over 71.3% are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the Board of Trustees, the Township Hall, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

**JEROME TOWNSHIP
UNION COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

Public Safety is the costs of police and fire protection; Health is the cemeteries; Conservation – Recreation is the costs of maintaining the parks and playing fields; and Public Works is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities in the financial statements, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Safety and Public Works, which account for 66.7% and 14.1% of all governmental disbursements, respectively. General government also represents a significant cost, about 12.5%. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$ 281,846	\$ 159,934	\$ 224,435	\$ 146,858
Public Safety	1,498,865	1,331,430	1,326,540	1,159,656
Public Works	316,380	222,819	310,958	229,484
Health	3,571	(9,524)	8,992	8,992
Conservation - Recreation	6,321	6,321	10,628	10,628
Capital Outlay	139,776	139,776	413,787	413,787
Total Expenses	\$ 2,246,759	\$ 1,850,756	\$ 2,295,340	\$ 1,969,405

The dependence upon property tax receipts is apparent as 88.2% of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$2,139,252 and disbursements of \$2,246,759. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$71,651 as the result of funding the Public Safety Officer program while not experiencing significant growth in property tax receipts.

General Fund receipts were less than disbursements by \$71,651 indicating that the General Fund is in a deficit spending situation. The Township sought additional funds to support the PSO program by placing a levy on the November 2006 ballot. This levy failed. As a result reductions in disbursements were considered. The reductions considered will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General Fund, Road and Bridge Fund, and the Fire District Fund.

**JEROME TOWNSHIP
UNION COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

During 2006, the Township amended its budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a reclassification of zoning fee receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final General Fund disbursements were budgeted at \$420,643 while actual disbursements were \$368,586. Although receipts failed to live up to expectations, appropriations were not reduced. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$71,651 for 2006.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on property taxes. Our newly prepared financial forecast predicts a deficit for 2007; therefore, the administration implemented a strategy to delay the deficit. This plan became effective for 2007. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township. We have decided to use accumulated fund balances to continue to support the current program levels rather than reducing services to taxpayers. All departments have been asked to be conscious of their spending.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township'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 Robert Caldwell, Fiscal Officer, Jerome Township, 9777 Industrial Parkway, Plain City, Ohio 43064.

JEROME TOWNSHIP
UNION COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
AS OF DECEMBER 31, 2006

	Governmental Activities
Assets:-	
Equity in pooled cash and cash equivalents	\$ 1,912,803
Total assets	\$ 1,912,803
 Net Assets:-	
Restricted for:-	
Capital Outlay	\$ 150,000
Other Purposes	1,328,923
Unrestricted	433,880
Total net assets	\$ 1,912,803

See accompanying notes to the basic financial statements

JEROME TOWNSHIP
UNION COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Cash Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities:-					
General government	\$ 281,846	\$ 121,912	\$ 0	\$ (159,934)	\$ (159,934)
Public safety	1,498,865	159,435	8,000	(1,331,430)	(1,331,430)
Public works	316,380	0	93,561	(222,819)	(222,819)
Health	3,571	13,095	0	9,524	9,524
Conservation- recreator	6,321	0	0	(6,321)	(6,321)
Capital outlay	139,776	0	0	(139,776)	(139,776)
Total governmental activities	\$ 2,246,759	\$ 294,442	\$ 101,561	\$ (1,850,756)	\$ (1,850,756)
 General Receipts:-					
Property taxes				\$ 1,524,464	\$ 1,524,464
Grants and entitlements not restricted to specific programs				67,375	67,375
Sale of capital assets				10,000	10,000
Earnings on investments				100,446	100,446
Miscellaneous				40,964	40,964
Total general receipts				1,743,249	1,743,249
Change in net assets				(107,507)	(107,507)
Net assets beginning of year				2,020,310	2,020,310
Net assets at end of year				\$ 1,912,803	\$ 1,912,803

See accompanying notes to the basic financial statements

JEROME TOWNSHIP
UNION COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2006

ASSETS

	General	Road and Bridge Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Equity in pooled cash and cash equivalents	\$ 433,880	\$ 240,338	\$ 690,952	\$ 547,633	\$ 1,912,803
Total assets	\$ 433,880	\$ 240,338	\$ 690,952	\$ 547,633	\$ 1,912,803

FUND BALANCES

Reserved:-					
Reserved for encumbrances	\$ 637	\$ 107	\$ 51,074	\$ 0	\$ 51,818
Unreserved:-					
Undesignated, reported in:-					
General fund	433,243	0	0	0	433,243
Special revenue funds	0	240,231	639,878	397,633	1,277,742
Capital projects funds	0	0	0	150,000	150,000
Total fund balances	\$ 433,880	\$ 240,338	\$ 690,952	\$ 547,633	\$ 1,912,803

See accompanying notes to the basic financial statements

**JEROME TOWNSHIP
UNION COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
Receipts:-					
Property and other local taxes	\$ 76,856	\$ 211,281	\$ 1,236,327	\$ 0	\$ 1,524,464
Charges for services	4,770	0	137,833	13,095	155,698
Licenses, permits and fees	7,598	0	0	109,544	117,142
Fines, forfeitures and fees	21,602	0	0	0	21,602
Intergovernmental	67,375	0	8,000	93,561	168,936
Earnings on investments	94,345	0	0	6,101	100,446
Miscellaneous	24,389	0	166	16,409	40,964
Total receipts	296,935	211,281	1,382,326	238,710	2,129,252
Disbursements:-					
Current:-					
General government	182,544	0	0	99,302	281,846
Public safety	163,553	0	1,335,312	0	1,498,865
Public works	6,179	248,366	0	61,835	316,380
Health	3,571	0	0	0	3,571
Conservation- recreation	6,321	0	0	0	6,321
Capital outlay	6,418	10,400	72,958	50,000	139,776
Total disbursements	368,586	258,766	1,408,270	211,137	2,246,759
Excess of receipts over disbursements	(71,651)	(47,485)	(25,944)	27,573	(117,507)
Other Financing Sources (Uses):-					
Sale of fixed assets	0	10,000	0	0	10,000
Total other financing sources (uses)	0	10,000	0	0	10,000
Net change in fund balances	(71,651)	(37,485)	(25,944)	27,573	(107,507)
Fund balances beginning of year	505,531	277,823	716,896	520,060	2,020,310
Fund balances end of year	\$ 433,880	\$ 240,338	\$ 690,952	\$ 547,633	\$ 1,912,803

See accompanying notes to the basic financial statements

JEROME TOWNSHIP
UNION COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:-				
Property and other local taxes	\$ 72,681	\$ 72,681	\$ 76,856	\$ 4,175
Charges for services	6,500	6,500	4,770	(1,730)
Licenses, permits and fees	92,250	27,250	29,200	1,950
Intergovernmental	66,595	66,595	67,375	780
Earning on investments	55,000	55,000	94,345	39,345
Miscellaneous	5,000	5,000	24,389	19,389
Total receipts	298,026	233,026	296,935	63,909
Disbursements:-				
Current:-				
General government	222,683	219,014	183,181	35,833
Public safety	150,400	163,861	163,553	308
Public works	6,000	6,179	6,179	0
Health	9,100	9,100	3,571	5,529
Conservation- recreation	12,000	12,000	6,321	5,679
Capital outlay	7,000	10,490	6,418	4,072
Total disbursements	407,183	420,644	369,223	51,421
Excess of receipts over (under) disbursements	(109,157)	(187,618)	(72,288)	115,330
Net change in fund balance	(109,157)	(187,618)	(72,288)	115,330
Fund balance beginning of year	505,531	505,531	505,531	0
Prior year encumbrances appropriated	0	0	0	0
Fund balance end of year	<u>\$ 396,374</u>	<u>\$ 317,913</u>	<u>\$ 433,243</u>	<u>\$ 115,330</u>

See accompanying notes to the basic financial statements

JEROME TOWNSHIP
UNION COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:-				
Property and other local taxes	\$ 203,651	\$ 203,651	\$ 211,281	\$ 7,630
Earning on investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total receipts	203,651	203,651	211,281	7,630
Disbursements:-				
Current:-				
Public works	187,668	249,668	248,473	1,195
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>10,400</u>	<u>19,600</u>
Total disbursements	<u>217,668</u>	<u>279,668</u>	<u>258,873</u>	<u>20,795</u>
Excess of receipts over (under) disbursements	<u>(14,017)</u>	<u>(76,017)</u>	<u>(47,592)</u>	<u>28,425</u>
Other Financing Sources (Uses):-				
Sale of capital assets	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Net change in fund balance	(14,017)	(76,017)	(37,592)	38,425
Fund balance beginning of year	256,393	256,393	256,393	0
Prior year encumbrances appropriated	<u>21,430</u>	<u>21,430</u>	<u>21,430</u>	<u>0</u>
Fund balance end of year	<u><u>\$ 263,806</u></u>	<u><u>\$ 201,806</u></u>	<u><u>\$ 240,231</u></u>	<u><u>\$ 38,425</u></u>

See accompanying notes to the basic financial statements

JEROME TOWNSHIP
UNION COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:-				
Property and other local taxes	\$ 1,159,729	\$ 1,159,729	\$ 1,236,327	\$ 76,598
Charges for services	137,833	137,833	137,833	0
Intergovernmental	67,726	67,726	8,000	(59,726)
Other	<u>0</u>	<u>0</u>	<u>166</u>	<u>166</u>
Total receipts	1,365,288	1,365,288	1,382,326	17,038
Disbursements:-				
Current:-				
Public safety	1,315,049	1,392,375	1,386,386	5,989
Capital outlay	<u>58,970</u>	<u>74,731</u>	<u>72,958</u>	<u>1,773</u>
Total disbursements	<u>1,374,019</u>	<u>1,467,106</u>	<u>1,459,344</u>	<u>7,762</u>
Excess of receipts over (under) disbursements	<u>(8,731)</u>	<u>(101,818)</u>	<u>(77,018)</u>	<u>24,800</u>
Net change in fund balance	(8,731)	(101,818)	(77,018)	24,800
Fund balance beginning of year	715,576	715,576	715,576	0
Prior year encumbrances appropriated	<u>1,320</u>	<u>1,320</u>	<u>1,320</u>	<u>0</u>
Fund balance end of year	<u>\$ 708,165</u>	<u>\$ 615,078</u>	<u>\$ 639,878</u>	<u>\$ 24,800</u>

See accompanying notes to the basic financial statements

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - REPORTING ENTITY:-

Jerome Township, Union County, Ohio (the Township), is a body politic and corporate established in 1821 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. The Township also has an elected Township Fiscal Officer.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance and fire protection. The Township contracts with the Union County Sheriff for police protection.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally Accepted Accounting Principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Basis of Presentation - The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements -The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish those activities of the Township that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash and investment balances of the governmental type activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or activity is self-financing on a cash basis or draws from the Township's general receipts.

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Fund Financial Statements - During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting -The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

Governmental Funds -The Township classifies funds financed primarily from taxes, intergovernmental receipts and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road and Bridge Fund and the Fire District Fund.

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

The Road and Bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

The Fire District Fund receives tax money from a special fire levy to help cover the cost of fire protection.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Basis of Accounting - The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process - All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township's Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendments throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Cash and Investments - To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 negative receipts, respectively.

During 2006, the Township invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$94,345.

Restricted Assets - Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Property, Plant and Equipment - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

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

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Employer Contributions to Cost-Sharing Pension Plans - The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations - The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special revenue funds and capital projects. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves - The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Interfund Transactions - Transfers between governmental type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE:-

The Township reports no deficit fund balances.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING:-

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, the Road and Bridge Fund and the Balance Fire District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$637 for the General Fund, \$107 for the Road and Bridge Fund and \$51,074 for the Fire District Fund. There were no outstanding advances at year end for the General Fund, the Road and Bridge Fund and the Fire District Fund.

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS:-

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific – obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no undeposited cash on hand which is included as part of “*Equity in Pooled Cash and Cash Equivalents*” on the financial statements.

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS:- (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$0 of the Township's bank balance of \$90,734 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. The Township occasionally maintains deposits in excess of federally insured limits. SFAS No. 105 identifies these items as a concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Township had the following investments:

STAR Ohio	Carrying Value
	1,841,829
Total Portfolio	\$ 1,841,829

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 6- PROPERTY TAXES:-

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$13.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property		
Residential	\$	114,957,260
Agricultural		17,140,400
Commercial/Industrial/Mineral		34,258,300
Tangible Personal Property:-		
Business		9,852,573
Public Utility		5,493,140
Total Assessed Value	\$	181,701,673

**JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 7 - RISK MANAGEMENT:-

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Township contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Ohio Casualty Group	Commercial Property	\$ 361,694
	Commercial Inland	
	Marine	128,529
Nationwide Insurance	Business Auto	1,000,000
	Commercial General Liability	300,000
Scottsdale Indemnity Company	Public Officials Liability	2,000,000
Ohio Casualty Insurance Company	Surety Bonds	163,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Public Entity Risk Pool - The Township participates in the Ohio workers' compensation group rating program through the Frank Gates Service Company. Participation in this program authorizes The Frank Gates Service Company to represent the Township for all worker's compensation matters before the Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio and to receive discounted premium rates.

NOTE 8 - DEFINED BENEFIT PENSION PLAN:-

Ohio Public Employees Retirement System - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 8 - DEFINED BENEFIT PENSION PLAN:- (continued)

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The Township's contribution rate for pension benefits for 2006 was 13.7%, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$48,770, \$40,114, and \$37,710 respectively. The full amount has been contributed for 2006, 2005 and 2004.

Ohio Police and Fire Pension Fund - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the Township is required to contribute 19.5% for police and 24% for firefighters. Contributions are authorized by State statute. The Township's required contributions to the fund for the years ended December 31, 2006, 2005, and 2004, were \$242,476, \$218,807, and \$191,946. The full amount has been contributed for 2006, 2005, and 2004.

NOTE 9 - POSTEMPLOYMENT BENEFITS:-

Ohio Public Employees Retirement System - The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7% of covered payroll (16.7% for public safety and law enforcement); 4.5% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1% and 6% annually for the next eight years and 4% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25.0% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12.0% corridor.

**JEROME TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 9 - POSTEMPLOYMENT BENEFITS:- (continued)

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund post employment benefits were \$16,021. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Ohio Police and Fire Pension Fund -The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Township's actual contributions for 2006 that were used to fund post employment benefits were \$78,320 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 10,528 for firefighters.

NOTE 10 - LEASES:-

The Township leases equipment under leasing arrangements that have been classified as operating leases. The Township disbursed \$3,744 to pay lease costs for the year ended December 31, 2006. Future lease payments are as follows:

Year	Amount
2007	\$ 3,744
2008	1,560
Total	<u>\$ 5,304</u>



**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees
Jerome Township
Union County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township, Union County, Ohio (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated January 23, 2008, wherein we noted the Township had followed the cash basis of accounting rather than accounting principles generally accepted in the United State of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We identified a deficiency in internal control over financial reporting that we consider a material weaknesses, which is described in the accompanying Schedule of Findings as item 2006-002.

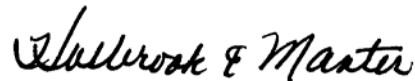
We noted certain internal control matters that we reported to the Township's management in a separate letter dated January 23, 2008.

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 compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results 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 item 2006-001. We also noted certain instances of noncompliance or other matters that we reported to the Government's management in a separate letter dated January 23, 2008.

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

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



Certified Public Accountants

January 23, 2008

**JEROME TOWNSHIP
UNION COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

Finding Number	2006-001
-----------------------	-----------------

Noncompliance Citation- Prior Certification of funds

Section 5705.41 (D) Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money unless a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void unless, for expenditures under \$3,000, the board of Trustees obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated. The board, by resolution, then may authorize the issuance of a warrant for the payments of the amount due.

During our testing of expenditures, there were instances in which funds were obligated without prior certification of the fiscal officer. Expenditures without prior certification could result in expenditures exceeding appropriations. We recommend that a purchase order be completed before all expenditures are initiated. Alternatively, the Township might consider using then and now certificates or blanket certificates, allowed by the Ohio Revised Code for expenditures meeting certain criteria.

Officials' Response

The Township Clerk/Fiscal Officer is aware of this issue and is working to approve all purchase orders before any money can be expended by the Township.

Finding Number	2006-002
-----------------------	-----------------

Significant Deficiency/Material Weakness – Material Misclassifications within the Financial Statements

During the audit, it was determined that various line item classifications were inappropriately stated, which resulted in material audit reclassifications within the financial statement. Inappropriate reporting of the classifications on the financial statement could result in appropriations exceeding estimated resources or actual expenditures exceeding appropriations.

We recommend that for future reporting, the Township obtain a more in depth understanding of the classifications with the new financial reporting model in order to properly report the financial statement amounts within the appropriate line item classifications within the funds on the financial statements.

Officials' Response

The Township Fiscal Officer is aware of this issue and working with their software provider to improve the reporting model since he does not currently use, and does not intend on converting to the Auditor of State's Uniform Accounting Network.

JEROME TOWNSHIP
UNION COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	ORC 5705.41 (D) - Failure to properly use fiscal certificates	No	Repeated in current audit period as finding 2006-001.
2005-002	Material Weakness - Material Misclassification within the Financial Statements	No	Repeated in current audit period as finding 2006-002.



Mary Taylor, CPA
Auditor of State

JEROME TOWNSHIP

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
OCTOBER 2, 2008**