

**JEROME TOWNSHIP**  
**UNION COUNTY, OHIO**

*FINANCIAL STATEMENTS*  
DECEMBER 31, 2008

**WOLF, ROGERS, DICKEY & CO.**  
*Certified Public Accountants*





# 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 Wolf, Rogers, Dickey & Co., for the audit period January 1, 2008 through December 31, 2008. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 25, 2009

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Jerome Township  
Union County, Ohio

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# Wolf, Rogers, Dickey & Co.

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## INDEPENDENT AUDITORS' REPORT

Jerome Township  
Union County, Ohio

To the Board of Trustees:

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, 2008, 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 audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow 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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township, Union County, Ohio as of December 31, 2008, and the respective changes in cash basis financial position thereof and the respective budgetary comparisons for the General, Road and Bridge, Fire District and Capital Improvement Funds for the year then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009, 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 the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries 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.

*Wolf, Rogers, Dickey & Co.*

Certified Public Accountants

June 30, 2009

Jerome Township, Union County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
Unaudited

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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, 2008, 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 2008 are as follows:

- Net assets of governmental activities decreased \$442,083, or 20%, from the prior year. The fund most affected by the decrease in cash was the Capital Improvement Fund, which disbursed \$369,903 for capital improvements.
- The Township's general receipts are primarily from property taxes and intergovernmental receipts. Property taxes represented 74% of the total cash received for governmental activities during the year. Property tax receipts for 2008 changed very little compared to 2007 as development within the Township remained constant.
- The Township placed a levy on the November 2007 ballot for police protection to fund the current Public Safety Officer (PSO) program through the Union County Sheriff's Office. This five year levy of 1.2 mills raised \$210,173 in 2008.

**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 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, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended December 31, 2008  
Unaudited

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**Reporting the Township as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Township did financially during 2008, within the limitations of the cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. 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 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 non-major 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, Fire District Fund and Capital Improvement 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 reconciliation presented with the governmental fund financial statements.

Jerome Township, Union County, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended December 31, 2008  
Unaudited

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ <u>1,718,474</u>	<u>2,160,557</u>
Total assets	\$ <u>1,718,474</u>	<u>2,160,557</u>
 Net assets		
Restricted for:		
Capital outlay	\$ 105,670	475,573
Other purposes	1,065,861	1,188,506
Unrestricted	<u>546,943</u>	<u>496,478</u>
Total net assets	\$ <u>1,718,474</u>	<u>2,160,557</u>

As mentioned previously, net assets of governmental activities decreased \$442,083 or 20% during 2008. The primary reason contributing to the decreases in cash balances are as follows:

- Disbursements of \$379,372 were made from the Capital Improvement fund. Major purchases included Self Contained Breathing Apparatus (SCBA) units for the Fire District (\$100,000), parking lot resurfacing and lighting at the Township Hall (\$235,570), and playground equipment for the park behind the Fire Station (\$24,742).
- The Township undertook road resurfacing projects in 2008 costing \$183,111 which was paid from the Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund.
- The Zoning Fund incurred expenses in excess of receipts of \$130,382. Expenses included contracts with outside consultants to assist with zoning matters. The deficit of this fund was offset by a \$100,000 transfer from the General Fund.
- The Fire District Fund experienced a spending deficit of \$74,429 resulting from rising operating costs and the purchase of a new compressor for the SCBA units.
- The Township overall saw a decline in earnings on investments of 52% as a result of declining interest rates and investment balances.

Jerome Township, Union County, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended December 31, 2008  
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities.

(Table 2)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program Receipts:		
Charges for services and sales	237,693	243,671
Operating grants and contributions	<u>378,085</u>	<u>306,908</u>
Total program receipts	<u>615,778</u>	<u>550,579</u>
General Receipts:		
Property and other taxes	1,540,791	1,377,762
Grants and entitlements not restricted to specific programs	238,369	544,746
Earnings on investments	54,142	112,731
Miscellaneous	<u>18,876</u>	<u>6,694</u>
Total general receipts	<u>1,852,178</u>	<u>2,041,933</u>
Total receipts	2,467,956	2,592,512
Disbursements:		
General government	418,134	318,534
Public safety	1,603,790	1,635,613
Public works	397,534	254,683
Health	9,968	6,526
Conservation – recreation	6,497	10,327
Capital outlay	<u>474,116</u>	<u>119,075</u>
Total disbursements	<u>2,910,039</u>	<u>2,344,758</u>
Increase (decrease) in net assets	(442,083)	247,754
Net assets, January 1	<u>2,160,557</u>	<u>1,912,803</u>
Net assets, December 31	\$ <u>1,718,474</u>	<u>2,160,557</u>

Program receipts represent 25% of total receipts and are primarily comprised of zoning permits and charges for fire services provided under contract.

General receipts represent 75% of the Township's total receipts, and of this amount, 10% are intergovernmental receipts. Other receipts are often insignificant and somewhat unpredictable revenue sources.

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

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; Public Works is the cost of maintaining the roads.

Jerome Township, Union County, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended December 31, 2008  
Unaudited

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**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 55% and 14% of all governmental disbursements, respectively. General government also represents a significant cost, about 14%. 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 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General government	\$ 418,134	\$ 357,102	\$ 318,534	\$ 271,845
Public safety	1,603,790	1,193,998	1,635,613	1,286,351
Public works	397,534	263,525	254,683	131,220
Health	9,968	3,553	6,526	(19,989)
Conservation – Recreation	6,497	1,967	10,327	5,677
Capital outlay	<u>474,116</u>	<u>474,116</u>	<u>119,075</u>	<u>119,075</u>
Total expenses	<u>\$ 2,910,039</u>	<u>2,294,261</u>	<u>2,344,758</u>	<u>1,794,179</u>

The dependence upon property tax receipts is apparent as 67% percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$2,467,956 and disbursements of \$2,910,039. The greatest change within governmental funds occurred within the Capital Improvement Fund. The fund balance of the Capital Improvement Fund decreased \$369,903 as a result of capital expenditures.

The Fire District Fund receipts were less than disbursements by \$74,429. This deficit was caused by rising operating costs and the purchase of equipment while property tax receipts have not kept pace. The Board of Trustees will work with the Fire Chief to monitor costs and possible renewed sources of revenue.

In other governmental funds, the Zoning Fund receipts were significantly less than the disbursements by \$130,382. This deficit was caused by declining zoning fee receipts and increased costs for payroll, contracts and operating expenses. This deficit was offset by a \$100,000 transfer from the General Fund. The Board of Trustees will monitor this fund closely.

The Motor Vehicle License Tax Fund, Gasoline Tax Fund and the Road and Bridge Fund reported a combined deficit of \$48,336 as a result of \$183,111 in disbursements for road projects.

Jerome Township, Union County, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended December 31, 2008  
Unaudited

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**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.

During 2008, the Township amended its budget several times to reflect changing circumstances. Final actual disbursements were lower than budgeted. While several funds experienced decreases in 2008, appropriations were not reduced. The Board of Trustees monitored its spending closely adhering to budgeted amounts as demonstrated by the budget to actual variances.

**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. The Township relies heavily on property taxes. The newly prepared financial forecast predicts deficits for 2009 in many funds. The Board of Trustees reviewed the Township's sources of revenue and determined that increases were likely. After reviewing the budgeted disbursements, the Board decided to use accumulated fund balances (reserves) 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, Ohio  
Statement of Net Assets – Cash Basis  
December 31, 2008**

	Governmental <u>Activities</u>
<b>Assets</b>	
Equity in pooled cash and cash equivalents	\$ <u>1,718,474</u>
Total assets	\$ <u>1,718,474</u>
 <b>Net assets</b>	
Restricted for:	
Capital outlay	\$ 105,670
Other purposes	1,065,861
Unrestricted	<u>546,943</u>
Total net assets	\$ <u>1,718,474</u>

See accompanying notes to the basic financial statements

**Jerome Township  
Union County, Ohio  
Statement of Activities – Cash Basis  
For the Year Ended December 31, 2008**

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u>
	<u>Disbursements</u>	<u>Charges</u>	<u>Operating</u>	<u>Receipts and Changes</u>
		<u>for Services</u>	<u>Grants and</u>	<u>in Net Assets</u>
		<u>and Sales</u>	<u>Contributions</u>	
<b>Governmental Activities:</b>				
General government	\$ (418,134)	61,032	-	(357,102)
Public safety	(1,603,790)	165,716	244,076	(1,193,998)
Public works	(397,534)	-	134,009	(263,525)
Health	(9,968)	6,415	-	(3,553)
Conservation – recreation	(6,497)	4,530	-	(1,967)
Capital outlay	<u>(474,116)</u>	<u>-</u>	<u>-</u>	<u>(474,116)</u>
Total governmental activities	\$ <u>(2,910,039)</u>	<u>237,693</u>	<u>378,085</u>	<u>(2,294,261)</u>
<b>General Receipts:</b>				
Property taxes levied for:				
				78,449
				1,052,194
				219,866
				190,282
				238,369
				54,142
				<u>18,876</u>
				<u>1,852,178</u>
				(442,083)
				<u>2,160,557</u>
				\$ <u>1,718,474</u>

See accompanying notes to the basic financial statements.

**Jerome Township  
Union County, Ohio  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2008**

	<u>General</u>	Road and Bridge <u>Fund</u>	Fire District <u>Fund</u>	Capital Improvement <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b><u>Assets</u></b>						
Equity in pooled cash and cash equivalents	\$ <u>546,943</u>	<u>298,170</u>	<u>530,190</u>	<u>105,670</u>	<u>237,501</u>	<u>1,718,474</u>
Total assets	\$ <u>546,943</u>	<u>298,170</u>	<u>530,190</u>	<u>105,670</u>	<u>237,501</u>	<u>1,718,474</u>
 <b><u>Fund Balances</u></b>						
Reserved:						
Reserved for encumbrances	\$ 2,700	-	57,338	-	4,500	64,539
Unreserved:						
Undesignated, reported in:						
General Fund	544,243	-	-	-	-	544,243
Special Revenue Funds	-	298,170	472,852	-	233,001	1,004,022
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,670</u>	<u>-</u>	<u>105,670</u>
Total fund balances	\$ <u>546,943</u>	<u>298,170</u>	<u>530,190</u>	<u>105,670</u>	<u>237,501</u>	<u>1,718,474</u>

See accompanying notes to the basic financial statements.



**Jerome Township  
Union County, Ohio  
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2008**

	<u>General</u>	<u>Road and Bridge Fund</u>	<u>Fire District Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:						
Property and other local taxes	\$ 78,449	219,866	1,052,194	-	190,282	1,540,791
Charges for services	-	-	137,833	-	-	137,833
Licenses, permits and fees	11,337	-	-	-	60,640	71,977
Fines and forfeitures	27,883	-	-	-	-	27,883
Intergovernmental	238,369	35,959	221,076	-	121,050	616,454
Interest	40,482	-	-	9,469	4,191	54,142
Miscellaneous	<u>865</u>	<u>5,321</u>	<u>8,489</u>	<u>-</u>	<u>4,201</u>	<u>18,876</u>
Total receipts	<u>397,385</u>	<u>261,146</u>	<u>1,419,592</u>	<u>9,469</u>	<u>380,364</u>	<u>2,467,956</u>
Disbursements:						
Current:						
General government	233,528	-	-	-	184,606	418,134
Public safety	-	-	1,444,156	-	159,634	1,603,790
Public works	6,895	207,989	-	-	182,650	397,534
Health	-	-	-	-	9,968	9,968
Conservation-recreation	6,497	-	-	-	-	6,497
Other	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>21,022</u>	<u>49,865</u>	<u>379,372</u>	<u>23,857</u>	<u>474,116</u>
Total disbursements	<u>246,920</u>	<u>229,011</u>	<u>1,494,021</u>	<u>379,372</u>	<u>560,715</u>	<u>2,910,039</u>
Excess of receipts over (under) disbursements	<u>150,465</u>	<u>32,135</u>	<u>(74,429)</u>	<u>(369,903)</u>	<u>(180,351)</u>	<u>(442,083)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	100,000	100,000
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	50,465	32,135	(74,429)	(369,903)	(80,351)	(442,083)
Fund balances beginning of year	<u>496,478</u>	<u>266,035</u>	<u>604,619</u>	<u>475,573</u>	<u>317,852</u>	<u>2,160,557</u>
Fund balances end of year	\$ <u>546,943</u>	<u>298,170</u>	<u>530,190</u>	<u>105,670</u>	<u>237,501</u>	<u>1,718,474</u>

See accompanying notes to the basic financial statements.

**Jerome Township**  
**Union County, Ohio**  
**Statement of Receipts, Disbursements and Changes**  
**In Fund Balance – Budget and Actual – Budget Basis**  
**General Fund**  
**For the Year Ended December 31, 2008**

	<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	\$ 85,190	85,190	78,449	(6,741)
Licenses, permits and fees	10,500	10,500	11,337	837
Fines and forfeitures	25,000	25,000	27,883	2,883
Intergovernmental	226,519	226,519	238,369	11,850
Interest	90,000	90,000	40,482	(49,518)
Miscellaneous	<u>          -</u>	<u>          -</u>	<u>      865</u>	<u>      865</u>
Total receipts	<u>437,209</u>	<u>437,209</u>	<u>397,385</u>	<u>(39,824)</u>
Disbursements:				
Current:				
General government	274,033	274,033	236,228	37,805
Public works	8,000	8,000	6,895	1,105
Conservation-recreation	<u>13,000</u>	<u>13,000</u>	<u>  6,497</u>	<u>  6,503</u>
Total disbursements	<u>295,033</u>	<u>295,033</u>	<u>249,620</u>	<u>45,413</u>
Excess of receipts over (under) disbursements	<u>142,176</u>	<u>142,176</u>	<u>147,765</u>	<u>  5,589</u>
Other financing sources (uses) -				
Transfer out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(100,000)</u>	<u>  50,000</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(100,000)</u>	<u>  50,000</u>
Net change in fund balance	(7,824)	(7,824)	47,765	55,589
Fund balance beginning of year	494,678	494,678	494,678	-
Prior year encumbrances appropriated	<u>  1,800</u>	<u>  1,800</u>	<u>  1,800</u>	<u>          -</u>
Fund balance end of year	\$ <u>488,654</u>	<u>488,654</u>	<u>544,243</u>	<u>55,589</u>

See accompanying notes to the basic financial statements.

**Jerome Township  
Union County, Ohio  
Statement of Receipts, Disbursements and Changes  
In Fund Balance – Budget and Actual – Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2008**

	<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	\$ 238,190	238,190	219,866	(18,324)
Intergovernmental	-	-	35,959	35,959
Miscellaneous	<u>-</u>	<u>-</u>	<u>5,321</u>	<u>5,321</u>
Total receipts	<u>238,190</u>	<u>238,190</u>	<u>261,146</u>	<u>22,956</u>
Disbursements:				
Current:				
Public works	220,117	220,117	207,989	12,128
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>21,022</u>	<u>13,978</u>
Total disbursements	<u>255,117</u>	<u>255,117</u>	<u>229,011</u>	<u>26,106</u>
Excess of receipts over (under) disbursements	<u>(16,927)</u>	<u>(16,927)</u>	<u>32,135</u>	<u>49,062</u>
Net change in fund balance	(16,927)	(16,927)	32,135	49,062
Fund balance beginning of year	255,395	255,395	255,395	-
Prior year encumbrances appropriated	<u>10,640</u>	<u>10,640</u>	<u>10,640</u>	<u>-</u>
Fund balance end of year	\$ <u>249,108</u>	<u>249,108</u>	<u>298,170</u>	<u>49,062</u>

See accompanying notes to the basic financial statements.

**Jerome Township  
Union County, Ohio  
Statement of Receipts, Disbursements and Changes  
In Fund Balance – Budget and Actual – Budget Basis  
Fire District Fund  
For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and other local taxes	\$ 1,310,614	1,310,614	1,052,194	(258,420)
Charges for services	137,833	137,833	137,833	-
Intergovernmental	-	-	221,076	221,076
Miscellaneous	<u>-</u>	<u>-</u>	<u>8,489</u>	<u>8,489</u>
Total receipts	<u>1,448,447</u>	<u>1,448,447</u>	<u>1,419,592</u>	<u>(28,855)</u>
Disbursements:				
Current:				
Public safety	1,563,572	1,588,072	1,501,495	86,577
Capital outlay	<u>70,500</u>	<u>103,500</u>	<u>49,864</u>	<u>53,636</u>
Total disbursements	<u>1,634,072</u>	<u>1,691,572</u>	<u>1,551,359</u>	<u>140,213</u>
Excess of receipts over (under) disbursements	<u>(185,625)</u>	<u>(243,125)</u>	<u>(131,767)</u>	<u>111,358</u>
Net change in fund balance	(185,625)	(243,125)	(131,767)	111,358
Fund balance beginning of year	552,547	552,547	552,547	-
Prior year encumbrances appropriated	<u>52,072</u>	<u>52,072</u>	<u>52,072</u>	<u>-</u>
Fund balance end of year	\$ <u>418,994</u>	<u>361,494</u>	<u>472,852</u>	<u>111,358</u>

See accompanying notes to the basic financial statements.

**Jerome Township**  
**Union County, Ohio**  
**Statement of Receipts, Disbursements and Changes**  
**In Fund Balance – Budget and Actual – Budget Basis**  
**Capital Improvement Fund**  
**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts –				
Interest	\$ <u>4,500</u>	<u>4,500</u>	<u>9,469</u>	<u>4,969</u>
Total receipts	<u>4,500</u>	<u>4,500</u>	<u>9,469</u>	<u>4,969</u>
Disbursements –				
Capital outlay	<u>250,000</u>	<u>400,000</u>	<u>379,372</u>	<u>20,628</u>
Total disbursements	<u>250,000</u>	<u>400,000</u>	<u>379,372</u>	<u>20,628</u>
Excess of receipts over (under) disbursements	<u>(245,500)</u>	<u>(395,500)</u>	<u>(369,903)</u>	<u>25,597</u>
Net change in fund balance	<u>(245,500)</u>	<u>(395,500)</u>	<u>(369,903)</u>	<u>25,597</u>
Fund balance beginning of year	475,573	475,573	475,573	-
Prior year encumbrances appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance end of year	\$ <u>230,073</u>	<u>80,073</u>	<u>105,670</u>	<u>25,597</u>

See accompanying notes to the basic financial statements.

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements  
December 31, 2008**

(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.

(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. 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 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 are 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 is self-financing on a cash basis or draws from the Township's general receipts.

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.

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

(2) Summary of Significant Accounting Policies, continued

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, the 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 to be accounted for in another fund. The General Fund is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. 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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township 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 amendment 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.

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

(2) Summary of Significant Accounting Policies, continued

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 2008, the Township invested in State Treasury Asset Reserve (STAR) Ohio.

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, 2008.

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 2008 was \$40,482.

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.

Prepaid Items

The Township reports disbursements for prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities 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.

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 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.



**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

(2) Summary of Significant Accounting Policies, continued

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 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.

(3) Accountability and Compliance

The Township reports no deficit fund balance.

(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 – Budget Basis presented for the General Fund, the Road and Bridge Fund and the 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 \$2,700 for the General Fund, \$57,339 for the Fire District Fund, and \$4,500 for Other Governmental Funds. There were no outstanding advances at year end for the General Fund, the Road and Bridge Fund and the Fire District fund.

(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.

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

(5) Deposits and Investments, continued

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 government 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.

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, none of the Township's bank balance of \$104,029 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 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

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

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.

(5) Deposits and Investments, continued

Investments

As of December 31, 2008, the Township invested in STAR Ohio with a carrying value of \$1,642,609 and average maturity.

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 fund 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 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".

(6) Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25%. This will be reduced to zero for 2009. Payments by multi-county

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

(6) Property Taxes, continued

The full tax rate for all Township operations for the year ended December 31, 2008, was \$13.90 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential & Agricultural	\$ 164,978,750
Commercial/Industrial/Mineral	38,487,110
Tangible Personal Property	
Business	4,021,380
Public Utility	<u>5,487,980</u>
Total Assessed Value	\$ <u>212,975,220</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

(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 2008, the Township contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Ohio Casualty Group	Commercial Property	\$ 361,694
	Commercial Inland Marine	128,529
	Business Auto	1,000,000
Nationwide Insurance	Commercial General Liability	300,000
Scottsdale Indemnity Company	Public Officials Liability	1,000,000
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 (the 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 workers' compensation matters before the Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio and to receive discounted premium rates.

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

(8) Defined Benefit Pension Plan

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 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,

(8) Defined Benefit Pension Plan, continued

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) 222-5601 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10% 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 10.1%. The Township's contribution rate for pension benefits for 2008 was 14%, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 17.4% 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 year ended December 31, 2008, 2007 and 2006 were \$31,677, \$30,329 and \$48,770 respectively. The full amount has been contributed for 2008, 2007 and 2006.

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% 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, 2008, 2007 and 2006 were \$187,938, \$182,590 and \$242,476 respectively. The full amount has been contributed for 2008, 2007 and 2006.

(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

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment 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 2008 local government employer contribution rate was 14% of covered payroll (17.4% for public safety and law enforcement); 7% of covered payroll was the portion that was used to fund health care in 2008.

(9) Postemployment Benefits, continued

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, 2007, include a rate of return on investments of 6.5%, 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 .5% to 4% annually for the next seven 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% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 363,503. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$15,894. The actual Contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17 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 Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.75% of covered payroll was applied to the postemployment health care program during 2008. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2008 that were used to fund postemployment benefits were \$52,811 for firefighters. The OP&F's total health care expense for the year ended December 31, 2007 (the latest information available) was \$93,205,319, which was net of member contributions of \$56,031,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2007, was 10,583 for firefighters.

(10) Leases

The Township leases equipment under leasing arrangements that have been classified as operating leases. The Township disbursed \$2,374 to pay lease costs for the year ended December 31, 2008. Future lease payments are as follows: 2009 - \$2,374, 2010 - \$2,374, 2011 - \$2,374 and 2012 - \$1,583.

**Jerome Township  
Union County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2008**

The Township also leases storage space for road salt pursuant to a one-year lease that commenced October 1, 2008. The lease agreement calls for monthly payments of \$500 for the term of the lease.

(10) Leases, continued

Pursuant to a three year contract that commenced on January 1, 2007 between the Union County Sheriff, Jerome Township and Millcreek Township, the sheriff provides three full-time deputies with a normal work week totaling 120 hours exclusively to Jerome and Millcreek Townships to supplement existing law enforcement coverage. The sheriff assumes full responsibility for hiring, training, assignment, supervision, discipline and dismissal of all assigned personnel and the Townships pay the actual cost of compensating the officers' salary, overtime, OPERS benefits, workers' compensation, Medicare and medical and life insurance. The Sheriff bills the Townships in quarterly installments with Jerome Township paying 75% of the cost and Millcreek Township paying 25% of the cost. The Township paid \$155,935 pursuant to this contract in 2008. The amount that will be due for 2009 is undetermined at this time.

(11) Concentrations of Labor Subject to Collective Bargaining Agreement

The Township's fire fighters, which comprise a majority of the Township's employees, are represented by a union. The existing union agreement expired on December 31, 2008. The Township approved a new union contract with the fire fighters to commence on January 1, 2009.

(3) Compliance

Contrary to Ohio law:

- The Township did not obtain an amended certificate of estimated resources to reflect a shortfall of anticipated revenue to the Zoning Fund of \$58,208, which reduced available revenue in the fund below appropriations by \$41,045.
- The Township did not encumber funds prior to expenditure for four of twenty-five disbursements tested.
- The Township did not maintain adequate bond coverage for the fiscal officer for the term beginning April 1, 2008. Ohio Revised Code (ORC) Section 507.03 requires a bond of \$195,000 based on the budget of the Township. The bond coverage in effect was \$160,000.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.

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**Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters,  
Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards**

Jerome Township  
Union County, Ohio

To the Board of Trustees:

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, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 30, 2009, wherein we noted the Township had followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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.

We considered Finding 2008-01 to be a significant deficiency in internal control over financial reporting as described in the accompanying schedule of findings.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.



Our consideration of the 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 considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2008-01 to be a material weakness.

In a separate letter to Township's management dated June 30, 2009, we reported other matters involving internal controls over financial reporting we did not deem significant deficiencies.

#### Compliance and Other Matters

As part of reasonably assuring whether the Township'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, 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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Findings 2008-01 through 2008-04.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated June 30, 2009.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. 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 Board of Trustees, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

June 30, 2009

**Jerome Township  
Union County, Ohio  
Schedule of Findings  
December 31, 2008**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-01  
Significant deficiency/material weakness

The Ohio Township Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code.

We noted the following errors in the Township prepared financial statements that required reclassification:

- In all applicable funds, rollback/homestead exemption receipts from the State of Ohio were reclassified from Local Tax Revenue to Intergovernmental Revenue. The amount totaled \$289,821.
- In the General Fund, \$29,740 in expenditures was reclassified from Conservation/Recreation to General Government.
- In the Road and Bridge Fund, \$21,022 in expenditures were reclassified from Public Works to Capital Outlay.
- In the Fire District Fund, \$49,864 in expenditures were reclassified from Public Safety to Capital Outlay.
- In the Capital Improvements Fund, \$100,000 in expenditures were reclassified from Public Safety to Capital Outlay.
- In the Cemetery Fund, \$4,200 in revenues for the sale of cemetery lots were reclassified from Licenses, Permits and Fees to Miscellaneous, and \$23,857 in expenditures were reclassified from Health to Capital Outlay.
- In the Zoning Fund, \$27,995 in revenues were reclassified from Miscellaneous to Licenses, Permits and Fees.

These adjustments are reflected in the audited financial statements.

Response by Township

While the Ohio Township Handbook Appendix IV, "Township Sample Numeric and Alphanumeric Fund and Account Codes", details the revenue and expenditure codes with name and a brief description of the type of revenue or expenditure that relates to the code, there is no correlation between the detail provided for numeric codes used by UAN and alphanumeric codes used by Township Accounting Software (TAS) which is used by Jerome Township. The appendix does identify the financial report caption title and program codes for numeric revenue codes, but it is limited in its guidance for alphanumeric codes. Moreover, no guidance for financial report caption titles is provided for appropriation codes. The appendix does not correlate the numeric codes to the alphanumeric codes. The Fiscal Officer has personally requested such a correlation from the Auditor of State's Office and has been told that it does not exist and that it is not necessary for anyone using UAN.

- a. In the section for alphanumeric receipt accounts it identifies code "01-R" as "Rollback Homestead and Personal Property Tax Exemption" however; it does not indicate the appropriate financial report caption title or program code. In the listing of numeric revenue codes in the Handbook there is no "Rollback Homestead and Personal Property Tax Exemption." As such it was solely up to the Fiscal Officer to determine the proper Financial Report Caption Title. In this instance the caption "Taxes" the same as for General Property Tax revenue was chosen. Upon analysis the Fiscal Officer agrees that all "Rollback Homestead and Personal Property Tax Exemption" accounts should be classified as Intergovernmental Revenue verses Taxes.

**Jerome Township  
Union County, Ohio  
Schedule of Findings, continued  
December 31, 2008**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-01  
Township Response, continued

- b. The Ohio Township Handbook gives no guidance to classify "01-B" appropriation codes as general government as opposed to conservation – recreation. The Jerome Township Hall is the Township's Recreation Center. The building was built for that purpose and used outside funding for that purpose. As such expenditures were placed in this financial report caption. In addition several expenditure codes that are prone to be allocated expenditures of a capital nature were reclassified to "capital outlay" verses its designated appropriation category. While the majority of the expenses in these accounts are long term assets, the Fiscal Officer believes it misrepresents the amount of taxpayers' monies being spent in areas such as Parks and Recreation and Cemeteries as reported in the Statement of Activities.
- c. The Ohio Township Handbook gives no guidance to classify 04-A-04 "Tools and Equipment" as a capital outlay appropriation category as opposed to a public works appropriation category. Classification as capital outlay understates amounts being reported as spent for the public works of the community in the Statement of Activities.
- d. The Ohio Township Handbook gives no guidance to classify 10-A-08 "Tools and Equipment" as a capital outlay appropriation category as opposed to a public safety appropriation category. Classification as capital outlay understates amounts being reported as spent on public safety in the Statement of Activities.
- e. While capital in nature, the \$100,000 spent from the Capital Improvement Fund allocated to 21-A-02 was for the purchase of Self Contained Breathing Apparatus for the Fire Division. By classifying this expenditure as capital outlay it understates amounts spent on public safety as reported in the Statement of Activities.
- f. The reclassification of revenue code 05-C Sale of lots for the cemeteries is in direct contrast to the finding of the previous auditors who reclassified this account to licenses, permits and fees for the 2005 and 2006 audits. This once more illustrates the Fiscal Officers frustration in not receiving any guidance as to the proper financial report classifications. The Ohio Township Handbook gives no guidance to classify 05-A-05 "Improvement of Sites" as a capital outlay appropriation category as opposed to a health appropriation category. Classification as capital outlay understates amounts being reported as spent on public health in the Statement of Activities.
- g. The Zoning Fund was in receipt of \$27,995 from a developer who applied for a Planned Unit Development rezoning. Due to the large amount of legal costs incurred by the Township, the Developer agreed to reimburse the Township for the amount of legal fees incurred related to this filing. This amount did not represent payment for a license, a permit, or any established fee of the Township. As such should remain classified as a miscellaneous receipt as opposed to revenue from licenses, permits and fees.

**Jerome Township  
Union County, Ohio  
Schedule of Findings, continued  
December 31, 2008**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-01  
Township Response, continued

The expenditures noted in this finding were reclassified for financial report caption purposes only and were properly coded and reported to the appropriate appropriation code. The Fiscal Officer is of the opinion that such reclassifications are immaterial to the overall financial statements and are neither a significant deficiency nor a material weakness. The Fiscal Officer would be more than willing to revise the software coding to properly post to the desired financial report caption lines if he were to be given those desired classifications. As indicated above all efforts to obtain such guidance have been unsuccessful.

Finding Number 2008-02

Ohio Revised Code Section 5705.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

Appropriations exceeded available resources by \$41,045 in the Zoning Fund. This deficit was caused by actual receipts falling \$58,208 below budgeted receipts. We recognize that the Township did not spend all appropriations, actual expenses did not exceed available resources and \$50,000 could have been transferred into the Zoning Fund to eliminate the deficit, but ORC Section 5705.36 still requires an amended certificate of estimated resources to reflect the reduced receipts. Additionally, the Township should have reduced the appropriations below the estimated resources.

Response by Township

Jerome Township did not appropriate and expend revenue in excess of the estimated resources of the Zoning Fund for 2008. As such no reduced amended certificate was necessary as deficiency did not reduce the available resources below the current level of appropriations. Available resources at the beginning of the year were \$37,650, estimated receipts were \$62,443 and appropriated transfers from the general fund were \$150,000 resulting in \$250,083 in estimated resources. Estimated expenditures were \$205,000 resulting in an estimated ending fund balance of \$45,083. While actual receipts only amounted to \$54,225, this still resulted in estimated resources of \$241,875 which was in excess of the estimated expenditures of \$205,000 and in excess of actual expenditures of \$184,607. As a result no shortfall was experienced.

Finding Number 2008-03

Ohio Revised Code (ORC) Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the 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 when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the Fiscal Officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the

**Jerome Township  
Union County, Ohio  
Schedule of Findings, continued  
December 31, 2008**

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

Finding Number 2008-03, continued

contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. During our testing of disbursements, we noted that funds were not encumbered prior to expenditure for four of the twenty-five disbursements tested.

Response by Township

This finding reports that of the twenty-five disbursements tested, four were not properly encumbered by the Fiscal Officer prior to the expenditure. Upon review of this testing by the Fiscal Officer, he found that two of the exceptions were properly encumbered. However, the Fiscal Officer is in agreement that two purchase orders were not being properly dated. The Fiscal Officer continues to work with the Board of Trustees and others authorized to spend Township monies that proper encumbrance and certification must take place prior to the obligation being incurred.

Finding Number 2008-04

Ohio Revised Code (ORC) Section 507.03 prescribes minimum bond requirements for the Fiscal Officer for terms beginning after November 5, 2005 based on the annual budget of the Township. The Township's budget according to the official Certificate of Estimated Resources for 2008 is \$5,794,264, which would require a minimum bond of \$195,000 for the Fiscal Officer. The Fiscal Officer's bond coverage in effect was \$160,000.

Response by Township

As stated in the finding the Ohio Revised Code Section 507.03 prescribes the minimum bond requirement for the Fiscal Officer for terms beginning after November 5, 2005 based upon the budget of the Township. The Fiscal Officer had interpreted the term "budget" to mean the annual budget of the Township. Jerome Township's annual budget for 2008 was \$2,704,434, as such would require a minimum bond of \$160,000 for the Fiscal Officer which is what was in effect. However, discussions with the Audit Firm revealed that the term "budget" had been interpreted by them to mean the amount of money that the Budget Commission certifies that the trustees of a township would have available for expenditures during the fiscal year, as shown on its latest amended Official Certificate of Estimated Resources. Based upon this definition, the required minimum bond should have been \$195,000. The Fiscal Officer has notified the Township's insurance carrier of the need to increase the amount of the bond.

**Jerome Township  
Union County, Ohio  
Schedule of Prior Audit Findings  
December 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2006-001	ORC 5705.41 - Fiscal Officer must certify the commitment of money prior to the expenditure taking place.	No	Repeated in the Schedule of Findings in the 2008 audit report as Finding Number 2008-03.
2006-002	Missclassifications within the financial statements.	No	Repeated in the Schedule of Findings in the 2008 audit report as Finding Number 2008-01.



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 13, 2009**