



Dave Yost • Auditor of State

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jerusalem Township
Lucas County
9501 Jerusalem Road
Curtice, Ohio 43412-9708

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Jerusalem Township, Lucas County, Ohio (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 Jerusalem Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 20, 2013

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$193,794	\$440,447	\$634,241
Licenses, Permits and Fees	724	7,949	8,673
Intergovernmental	51,707	234,778	286,485
Special Assessments		1,328	1,328
Earnings on Investments	1,179	247	1,426
Miscellaneous	29,293	19,440	48,733
<i>Total Cash Receipts</i>	<u>276,697</u>	<u>704,189</u>	<u>980,886</u>
Cash Disbursements			
Current:			
General Government	145,904	15,801	161,705
Public Safety		271,438	271,438
Public Works	90,000	311,511	401,511
Health	7,330	12,383	19,713
Conservation-Recreation		105,196	105,196
Debt Service:			
Principal Retirement		39,875	39,875
Interest and Fiscal Charges		5,883	5,883
<i>Total Cash Disbursements</i>	<u>243,234</u>	<u>762,087</u>	<u>1,005,321</u>
<i>Net Change in Fund Cash Balances</i>	33,463	(57,898)	(24,435)
<i>Fund Cash Balances, January 1</i>	<u>71,839</u>	<u>994,317</u>	<u>1,066,156</u>
Fund Cash Balances, December 31			
Restricted		936,419	936,419
Unassigned	105,302		105,302
<i>Fund Cash Balances, December 31</i>	<u>\$105,302</u>	<u>\$936,419</u>	<u>\$1,041,721</u>

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

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$182,394	\$437,371	\$619,765
Licenses, Permits and Fees	2,075	5,645	7,720
Intergovernmental	107,553	206,958	314,511
Special Assessments		1,327	1,327
Earnings on Investments	1,559	265	1,824
Miscellaneous	19,871	17,612	37,483
	313,452	669,178	982,630
 Cash Disbursements			
Current:			
General Government	254,538		254,538
Public Safety		240,657	240,657
Public Works	74,775	374,527	449,302
Health	13,144	5,406	18,550
Conservation-Recreation		79,944	79,944
Capital Outlay	4,454	374,216	378,670
Debt Service:			
Principal Retirement		150,000	150,000
	346,911	1,224,750	1,571,661
 <i>Excess of Disbursements Over Receipts</i>	(33,459)	(555,572)	(589,031)
 Other Financing Receipts			
Other Debt Proceeds		318,072	318,072
	(33,459)	(237,500)	(270,959)
 <i>Net Change in Fund Cash Balances</i>			
<i>Fund Cash Balances, January 1</i>	105,298	1,231,817	1,337,115
 Fund Cash Balances, December 31			
Restricted		994,317	994,317
Unassigned	71,839		71,839
	\$71,839	\$994,317	\$1,066,156

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

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jerusalem Township, Lucas County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

Special Fire Levy Fund - This fund receives property tax money for fire protection.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Nonspendable

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

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Change in Accounting Principle

For 2011, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. This change had no effect on the previously stated fund balances.

3. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$444,850	\$269,844
STAR Ohio	596,871	796,312
Total deposits and investments	\$1,041,721	\$1,066,156

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

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

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$308,525	\$276,697	(\$31,828)
Special Revenue	690,072	704,189	14,117
Total	\$998,597	\$980,886	(\$17,711)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$317,715	\$243,234	\$74,481
Special Revenue	1,270,321	793,063	477,258
Total	\$1,588,036	\$1,036,297	\$551,739

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$310,023	\$313,452	\$3,429
Special Revenue	593,372	987,250	393,878
Total	<u>\$903,395</u>	<u>\$1,300,702</u>	<u>\$397,307</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$400,900	\$346,911	\$53,989
Special Revenue	1,301,980	1,224,750	77,230
Total	<u>\$1,702,880</u>	<u>\$1,571,661</u>	<u>\$131,219</u>

Contrary to Ohio law certain revenues were improperly allocated to various funds in 2011 and 2012.

5. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. Lease-Purchase Agreement

Lease-Purchase outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Pierce Fire Truck	\$128,197	3.50%

The Township authorized on May 13, 2011 the execution of a Master-Lease-Purchase for the purpose of acquiring a Pierce Fire Truck. As collateral security for secured obligations, the

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

Township (lessee) grants to Oshkosh (lessor) a first priority security interest in the fire truck.

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

Year ending December 31:	Pierce Fire Truck
2013	<u>\$45,758</u>
2014	45,758
2015	<u>45,758</u>
Total	<u><u>\$137,274</u></u>

7. Retirement System

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

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

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$25,320	\$22,379

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Pending Litigation

The Township is a party to a lawsuit. Management believes any potential loss would be covered by insurance and any liability to the township would not be material to the financial statements.

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Dave Yost • Auditor of State

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

Jerusalem Township
Lucas County
9501 Jerusalem Road
Curtice, Ohio 43412-9708

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Jerusalem Township, Lucas County, Ohio (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated December 20, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and the Township adopted Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-003.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

December 20, 2013

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Recording Lease-Purchase Activity

Material Weakness

In 2011 the Township was the beneficiary of a \$318,072 lease-purchase for a Fire truck, sent directly to the vendor by Oshkosh Capital. The Fiscal Officer did not record the receipt and disbursement, nor an estimated resource or appropriation on the ledgers for this activity. The Township was the beneficiary of the underlying assets acquired with the debt proceeds and therefore the cash value of the benefits received and subsequent disbursements should be recorded as memorandum receipts and disbursements. The accompanying financial statements were adjusted to reflect these amounts in the Fire Levy Fund.

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

To ensure the Township's financial statements and notes to the statements are complete and accurate, Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions.

FINDING NUMBER 2012-002

Financial Reporting

Material Weakness

The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

Errors such as the following were noted in the financial statements which required material audit adjustments.

- Principal Retirement payments in the amount of \$150,000 in 2011 and \$39,875 in 2012, along with \$5,883 for Interest and Finance Charges for the lease-purchase of a Fire truck from the Fire Levy Fund in 2012 were misclassified as Capital Outlay.
- Homestead and rollback receipts in the amounts of \$23,560 to the Fire Levy Fund, \$8,571 to the Road and Bridge Fund, and \$3,447 to the Recreation Levy Fund were posted incorrectly to the General Fund in 2012 as Miscellaneous receipts and the General Fund portion of \$6,343 was reclassified as Intergovernmental receipts.
- Nine County Motor Vehicle License Tax receipts and Permissive Motor Vehicle License Tax receipts were posted to the opposite funds netting out to an increase in the amount of \$4,012 for the Permissive Motor Vehicle License Tax Fund in 2011.
- One County Intergovernmental receipt in 2012 should have been split between the Motor Vehicle License Tax and the Permissive Motor Vehicle License Tax Funds in the amounts of \$562 and \$996 respectively were incorrectly posted to the Gasoline Tax Fund.

**FINDING NUMBER 2012-002
(Continued)**

- An intergovernmental receipt from Lucas County in the amount of \$51,409 in 2011 for reimbursement of a portion of a paving project was incorrectly posted as Miscellaneous receipts in 2011 to the General Fund and a portion in the amount of \$9,600 should have been posted to the Road and Bridge Fund for the amount paid from that fund.

The above resulted in fourteen audit adjustments and reclassifications. As a result, the financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements and the Township's accounting records have been adjusted to reflect these amounts in the correct funds and accounts.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Township Handbook Chart of Accounts issued by the Auditor of State. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Board of Trustees to ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2012-003

Noncompliance Citation

Ohio Revised Code § 5705.10 provides that all revenue derived from a general levy for current expense shall be paid into the general fund. All revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. All revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose shall be paid into a special fund

Errors such as the following were noted in the financial statements which required material audit adjustments.

- Homestead and rollback receipts in the amounts of \$23,560 to the Fire Levy Fund, \$8,571 to the Road and Bridge Fund, and \$3,447 to the Recreation Levy Fund were posted incorrectly to the General Fund in 2012 as Miscellaneous receipts and the General Fund portion of \$6,343 was reclassified as Intergovernmental receipts.
- Nine County Motor Vehicle License Tax receipts and Permissive Motor Vehicle License Tax receipts were posted to the opposite funds netting out to an increase in the amount of \$4,012 for the Permissive Motor Vehicle License Tax Fund in 2011.
- One County Intergovernmental receipt in 2012 should have been split between the Motor Vehicle License Tax and the Permissive Motor Vehicle License Tax Funds in the amounts of \$562 and \$996 respectively were incorrectly posted to the Gasoline Tax Fund.
- An intergovernmental receipt from Lucas County in the amount of \$51,409 in 2011 for reimbursement of a portion of a paving project was incorrectly posted as Miscellaneous receipts in 2011 to the General Fund and a portion in the amount of \$9,600 should have been posted to the Road and Bridge Fund for the amount paid from that fund.

**FINDING NUMBER 2012-003
(Continued)**

The above resulted in twelve audit adjustments and reclassifications. As a result, the financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements and the Township's accounting records have been adjusted to reflect these amounts in the correct funds and accounts.

As further described in Finding Number 2012-002, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Township Handbook Chart of Accounts issued by the Auditor of State.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for Recovery Repaid Under the Audit – Due to overpayment of Insurance Reimbursement.	Yes	



Dave Yost • Auditor of State

JERUSALEM TOWNSHIP

LUCAS 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
JANUARY 7, 2014**