



Certified Public Accountants, A.C.

**JERUSALEM TOWNSHIP
LUCAS COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Jerusalem Township
9501 Jerusalem Road
Curtice, OH 43412

We have reviewed the *Independent Auditor's Report* of Jerusalem Township, Lucas County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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. Jerusalem Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 9, 2019

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**JERUSALEM TOWNSHIP
LUCAS COUNTY**

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313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

May 31, 2019

Jerusalem Township
Lucas County
9501 Jerusalem Road
Curtice, Ohio 43412

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of **Jerusalem Township**, Lucas County, (the Township) as of and for the years ended December 31, 2018 and 2017.

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 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 such 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on the Regulatory Basis of Accounting* paragraph below.

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, 2018 and 2017, 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 cash balances, receipts, and disbursements by fund type, and related notes of Jerusalem Township, Lucas County as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 208,242	\$ 485,822	\$ 694,064
Licenses, Permits and Fees	22,988	6,100	29,088
Intergovernmental	38,303	232,137	270,440
Special Assessments	-	1,770	1,770
Earnings on Investments	9,579	2,285	11,864
Miscellaneous	5,413	25,074	30,487
<i>Total Cash Receipts</i>	<u>284,525</u>	<u>753,188</u>	<u>1,037,713</u>
Cash Disbursements			
Current:			
General Government	168,684	3,049	171,733
Public Safety	-	389,843	389,843
Public Works	125,000	270,779	395,779
Health	14,034	15,963	29,997
Conservation-Recreation	-	67,224	67,224
Debt Service:			
Principal Retirement	-	50,251	50,251
Interest	-	5,977	5,977
<i>Total Cash Disbursements</i>	<u>307,718</u>	<u>803,086</u>	<u>1,110,804</u>
<i>Net Change in Fund Cash Balances</i>	(23,193)	(49,898)	(73,091)
<i>Fund Cash Balances, January 1</i>	<u>110,609</u>	<u>701,268</u>	<u>811,877</u>
Fund Cash Balances, December 31			
Restricted	-	651,370	651,370
Assigned	48,308	-	48,308
Unassigned	39,108	-	39,108
<i>Fund Cash Balances, December 31</i>	<u>\$ 87,416</u>	<u>\$ 651,370</u>	<u>\$ 738,786</u>

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

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2018

Note 1 – Reporting 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's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

Recreation Levy Fund This fund receives property tax money for use of recreational activities.

Cemetery Levy Fund This fund receives property tax money for use of maintenance and upkeep of the cemetery.

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2- 03(D) permit.

Budgetary Process

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. Unencumbered appropriations lapse at year end.

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 approve the estimated resources.

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 2018 budgetary activity appears in Note 3.

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 STAROhio) are recorded at share values the mutual funds report.

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.

Capital Assets

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

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

Nonspendable The Township classifies assets as Non-spendable when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 252,500	\$ 284,525	\$ 32,025
Special Revenue	640,200	753,188	112,988
Total	\$ 892,700	\$ 1,037,713	\$ 145,013

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 341,850	\$ 307,718	\$ (34,132)
Special Revenue	1,270,450	808,483	(461,967)
Total	\$ 1,612,300	\$ 1,116,201	\$ (496,099)

Note 4 – 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 amounts of deposits and investments at December 31 was as follows:

Demand deposits	\$ 155,139
Total deposits	155,139
STAR Ohio	583,647
Total investments	583,647
Total deposits and investments	\$ 738,786

Deposits Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2018

Note 5 – Property Taxes

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.

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

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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 For
the Year Ended December 31, 2018

Note 6 – Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017. (Latest information available).

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$13,000.

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. (latest information available).

<u>2017 Contributions to OTARMA</u>
\$30,043

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.

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Other employees participate in OPERS. 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Social Security

Some Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

Both OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018, and 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance	\$140,087	2.59%
Back Hoe	50,541	2.72
Total	<u>\$190,628</u>	

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2018

Note 9 – Debt (Continued)

Leases

On June 15, 2016 the Township authorized the execution of a Master-Lease Purchase for the purpose of acquiring a Case Backhoe. As collateral for the secured obligations, the Township (Lessee) grants to KS State Bank (Lessor) a first priority security interest in the backhoe. The Township's first principal payment is due June 15, 2017. The Township disbursed \$17,771 to pay lease cost for the year ended December 31, 2018.

The Township authorized on October 13, 2017 the execution of Business Loan for the purpose of acquiring a Road Rescue Ford F550 Ambulance. As collateral security for secured obligations, the Township (purchaser) grants to Croghan Colonial Bank (lender) a first priority security interest in the ambulance.

Amortization

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

Year Ending December 31:	Principal	Interest
2019	\$51,596	\$5,542
2020	52,971	3,257
2021	54,396	1,831
2022	31,665	381
Total	<u>\$190,628</u>	<u>\$11,011</u>

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 249,732	\$ 495,651	\$ 745,383
Licenses, Permits and Fees	5,021	8,891	13,912
Intergovernmental	23,233	196,466	219,699
Earnings on Investments	6,351	84	6,435
Miscellaneous	153	11,148	11,301
	<u>284,490</u>	<u>712,240</u>	<u>996,730</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
General Government	164,979	5,870	170,849
Public Safety	-	276,945	276,945
Public Works	125,000	330,083	455,083
Health	13,905	7,838	21,743
Conservation-Recreation	-	42,457	42,457
Capital Outlay	36,119	61,043	97,162
Debt Service:			
Principal Retirement	-	21,165	21,165
Interest	-	3,016	3,016
	<u>340,003</u>	<u>748,417</u>	<u>1,088,420</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts (Under) Disbursements</i>	<u>(55,513)</u>	<u>(36,177)</u>	<u>(91,690)</u>
Other Financing Receipts			
Other Financing Sources	<u>8</u>	<u>-</u>	<u>8</u>
<i>Total Other Financing Receipts</i>	<u>8</u>	<u>-</u>	<u>8</u>
<i>Net Change in Fund Cash Balances</i>	(55,505)	(36,177)	(91,682)
<i>Fund Cash Balances, January 1 (Restated, See Note 11)</i>	<u>166,114</u>	<u>737,445</u>	<u>903,559</u>
Fund Cash Balances, December 31			
Restricted	-	701,268	701,268
Assigned	92,081	-	92,081
Unassigned	<u>18,528</u>	<u>-</u>	<u>18,528</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 110,609</u>	<u>\$ 701,268</u>	<u>\$ 811,877</u>

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

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2017

Note 1 – Reporting 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's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2- 03(D) permit.

Budgetary Process

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. Unencumbered appropriations lapse at year end.

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 approve the estimated resources.

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 2017 budgetary activity appears in Note 3.

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 STAROhio) are recorded at share values the mutual funds report.

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.

Capital Assets

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

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

Nonspendable The Township classifies assets as Non-spendable when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2017

Note 3 – Compliance

Contrary to Ohio law, budgetary appropriations exceeded estimated resources in the General Fund by \$93,647 and the Motor Vehicle License Fund \$3,639 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 222,000	\$ 284,490	\$ 62,490
Special Revenue	671,500	712,240	40,740
Total	\$ 893,500	\$ 996,730	\$ 103,230

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 418,100	\$ 342,287	\$ (75,813)
Special Revenue	1,235,100	756,894	(478,206)
Total	\$ 1,653,200	\$ 1,099,181	\$ (554,019)

Note 5 – 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 amounts of deposits and investments at December 31 was as follows:

Demand deposits	\$ 239,496
Total deposits	239,496
STAR Ohio	572,381
Total investments	572,381
Total deposits and investments	\$ 811,877

Deposits Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2017

Note 6 – Property Taxes

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.

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

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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 For
the Year Ended December 31, 2017

Note 7 – Risk Management (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$12,000.

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>2017 Contributions to OTARMA</u>
\$28,300

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.

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Other employees participate in OPERS. 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Social Security

Some Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

Both OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance	\$174,375	2.59%
Back Hoe	66,504	2.72
Total	<u><u>\$240,879</u></u>	

Jerusalem Township
Lucas County
Notes to the Financial Statements For
the Year Ended December 31, 2017

Note 10 – Debt (Continued)

Leases

On June 15, 2016 the Township authorized the execution of a Master-Lease Purchase for the purpose of acquiring a Case Backhoe. As collateral for the secured obligations, the Township (Lessee) grants to KS State Bank (Lessor) a first priority security interest in the backhoe. The Township's first principal payment is due June 15, 2017. The Township disbursed \$17,771 to pay lease cost for the year ended December 31, 2018.

The Township authorized on October 13, 2017 the execution of Business Loan for the purpose of acquiring a Road Rescue Ford F550 Ambulance. As collateral security for secured obligations, the Township (purchaser) grants to Croghan Colonial Bank (lender) a first priority security interest in the ambulance.

Amortization

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

Year Ending December 31:	Principal	Interest
2018	\$50,251	\$5,977
2019	51,596	5,542
2020	52,971	3,257
2021	54,396	1,831
2022	31,665	381
Total	<u>\$240,879</u>	<u>\$16,988</u>

Note 11 – Prior Period Adjustment

The following adjustment is reflected in the January 1, 2017 fund balances to account for voided checks:

	General Fund	Special Revenue Funds
Fund Balance, December 31, 2016	\$ 158,206	\$ 733,024
Adjustment for voided checks	7,908	4,421
Restated Fund Balance, January 1, 2017	<u>\$ 166,114</u>	<u>\$ 737,445</u>



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

May 31, 2019

Jerusalem Township
Lucas County
9501 Jerusalem Road
Curtice, Ohio 43412

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 cash balances, receipts, and disbursements by fund type of **Jerusalem Township**, Lucas County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated May 31, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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.

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 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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2018-001 and 2018-003 to be material weaknesses.

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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 audit findings as item 2018-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 31, 2019.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness

Financial Reporting

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

During 2018 and 2017, the following reclassifications and adjustments were made to the financial statements and notes to the financial statements:

- Debt service payments were recorded as Capital Outlay instead of properly allocating between Principal and Interest in 2017. In 2018, debt service payments were not properly allocated between Principal and Interest;
- Permissive Motor Vehicle License Tax receipts were recorded as Property and Other Local Taxes in the General Fund instead of Intergovernmental in the Permissive Motor Vehicle Tax Fund in 2018;
- Motor Vehicle License Tax receipts were recorded as Intergovernmental receipts in the General Fund and Property and Other Local Taxes in the Road and Bridge Fund instead of Intergovernmental in the Road and Bridge Fund in 2018;
- Gasoline Tax receipts were recorded as Intergovernmental receipts in the Motor Vehicle License Fund instead of Intergovernmental in the Gasoline Tax Fund in 2018;
- A prior audit adjustment was recorded in the General Fund and Fire Levy Fund as Miscellaneous receipt in 2018;
- Portion of General Fund balance was classified as Unassigned instead of Assigned in 2018 and 2017;
- Certificate of Estimated Receipts did not agree to the accounting system in the General Fund, Motor Vehicle License Fund, Road and Bridge Fund and Cemetery Fund in 2017;
- Appropriations did not agree to the accounting system in the Road and Bridge Fund and Fire Levy Fund in 2018.
- During the audit, aspects of the notes to the financial statements were corrected from the Hinkle filing to agree to the financial statements in the audit report and to include all necessary note disclosures.

By not recording transactions properly, the Township is not accurately reporting their financial activity.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances. The Fiscal Officer should use available templates for financial statements and notes to the financial statements on the Auditor of State's website to prepare an accurate financial report.

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

During 2017, the Township's appropriations for the General Fund and Motor Vehicle License Fund exceeded the estimated resources.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of Township resources. We recommend that the Township monitor their budgetary activity on a monthly basis and make adjustments as required.

The Board should regularly review and amend their appropriations based on updates to their estimated resources. Additionally, the Board should review the certification of the County Budget Commission to ensure that their total appropriations do not exceed estimated resources.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2018-003

Material Weakness

Bank Reconciliations

The December 2017 bank reconciliation prepared by the Township contained other adjusting factors to balance to the bank balance. Checks for \$2,786.93 and \$300 were not recorded in the accounting system. A payment for \$4,199.68 to the IRS was made in error, but not voided in the accounting system. A \$18,774.23 payment to Bay Tractor and \$41.23 check were voided in the accounting system, but cashed. These amounts were incorrectly posted which resulted in bank balance being a higher amount than the accounting system balance.

All 2017 reconciliations also reported \$47,500 as a deposit in transit. The transaction was identified as a receipt that was received in December 2015 and double posted in December 2015 and January 2016.

The failure to accurately and completely perform bank reconciliations could result in errors or irregularities occurring which could go undetected by management. The accounting system and reconciliation has been updated to correct these errors.

JERUSALEM TOWNSHIP
LUCAS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-003 (Continued)

Bank Reconciliations (Continued)

We recommend the Township Fiscal Officer reconcile all bank accounts to the books on a timely basis. In the process all reconciling items or errors should be identified and included on the face of the reconciliation. All unrecorded balances should be researched in order to find the known source of the error. All errors should be corrected on the Township's ledger following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliations, including supporting documentation (reconciling items and outstanding checks) be reviewed and approved by the Trustees and that evidence of these reviews and approvals is documented.

Management's Response – We did not receive a response from officials to this finding.

**JERUSALEM TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Posting Receipts, Disbursements, and Fund Balance Classification	Not Corrected	Repeated in Finding 2018-001
2016-002	ORC Section 5705.10(A)	Corrected	N/A
2016-003	ORC Section 5705.36(A) ORC Section 5705.38(A) ORC Section 5705.41(B)	Corrected	N/A
2016-004	ORC Section 5705.41(D)	Not Corrected	Repeated in Management Letter
2016-005	ORC Section 507.03	Corrected	N/A

OHIO AUDITOR OF STATE
KEITH FABER



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
OCTOBER 22, 2019**