



**Mary Taylor, CPA**  
Auditor of State



**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis .....	9
Statement of Activities – Cash Basis .....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	11
Statement of Cash Receipts, Disbursements and Changes in Modified - Cash Basis Fund Balances - Governmental Funds .....	12
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – General Fund .....	13
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Gasoline Tax Fund.....	14
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Road and Bridge Fund.....	15
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Fire Special Levy Fund .....	16
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Recreation Special Levy Fund.....	17
Notes to the Financial Statements .....	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29
Schedule of Findings.....	31
Schedule of Prior Audit Findings.....	32

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

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 the Jerusalem Township, Lucas County, Ohio (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jerusalem Township, Lucas County, Ohio, as of December 31, 2006, and the respective changes in cash financial position thereof and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, Fire Special Levy and Recreation Special Levy funds for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2007, 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 Governmental Accounting Standard 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.

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

**Mary Taylor, CPA**  
Auditor of State

October 15, 2007

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

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

**Highlights**

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$126,116, a moderate change from the prior year. The fund most affected by the increase in cash and investments was the Road and Bridge Fund, which realized the greatest increase because we did not have a 2006 road project.
- The Township's general receipts are primarily property taxes. Property tax receipts represent 50 percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 changed very little compared to 2005 because development within the Township has slowed as the result of the majority of the Township being located in a flood plain. Federal regulations, new housing starts as well as home improvements and additions in the flood plain area have been drastically curtailed.

**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 a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

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.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function 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 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, Township activities are shown: The Township's basic services are reported here, including Fire and EMS service, road and bridge maintenance and repair, and recreation activities. State grants and 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 governmental.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

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

**The Township as a Whole**

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

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash and Cash Equivalents	<u>\$1,263,958</u>	<u>\$1,137,842</u>
<b>Net Assets</b>		
Restricted for:		
Other Purposes	\$962,196	\$771,905
Unrestricted	301,762	365,937
Total Net Assets	<u>\$1,263,958</u>	<u>\$1,137,842</u>

As mentioned previously, net assets of governmental activities increased \$126,116 during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Expenditures in 2005 were higher than in 2006 because of the fire station addition in 2005.
- An increase in the rate of return on investments.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in 2006.

(Table 2)  
**Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$28,620	\$19,105
Operating Grants and Contributions	157,353	137,145
Total Program Receipts	<u>185,973</u>	<u>156,250</u>
General Receipts:		
Property Taxes	420,002	436,831
Other Taxes	124,112	123,702
Grants and Entitlements Not Restricted to Specific Programs	62,002	116,190
Earnings on Investments	39,989	28,095
Miscellaneous	8,943	21,334
Total General Receipts	<u>655,048</u>	<u>726,152</u>
Total Receipts	<u>841,021</u>	<u>882,402</u>
Disbursements:		
General Government	235,500	213,500
Public Safety	213,100	226,107
Public Works	215,059	304,151
Health	16,000	17,406
Conservation and Recreation	20,533	23,232
Other	25	
Capital Outlay	14,688	171,099
Total Disbursements	<u>714,905</u>	<u>955,495</u>
Increase (Decrease) in Net Assets	126,116	(73,093)
Net Assets, January 1	<u>1,137,842</u>	<u>1,210,935</u>
Net Assets, December 31	<u>\$1,263,958</u>	<u>\$1,137,842</u>

Program receipts represent only 22 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, cemetery fund, recreation fees, and zoning permits.

General receipts represent 78 percent of the Township's total receipts, and of this amount, over 64 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Disbursements for General Government represent 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.

Public Safety is the cost of fire protection and emergency medical service; Public Works is the cost of road and bridge maintenance and repair.

**Governmental Activities**

If you look at the Statement of Activities, 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 general government, which accounts for 33 percent, and public safety, and public works, which account for 30 percent each. The next two columns 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 2006	Total Cost Of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
General Government	\$235,500	\$213,500	\$224,715	\$211,116
Public Safety	213,100	226,107	187,136	201,201
Public Works	215,059	304,151	88,285	194,226
Health	16,000	17,406	6,139	8,218
Conservation-Recreation	20,533	23,232	7,944	13,385
Other	25		25	
Capital Outlay	14,688	171,099	14,688	171,099
<b>Total Expenses</b>	<b>\$714,905</b>	<b>\$955,495</b>	<b>\$528,932</b>	<b>\$799,245</b>

The dependence upon property tax receipts is apparent as \$528,932 of governmental activities is supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$841,021 and disbursements and other financing uses of \$714,905. The greatest change within governmental funds occurred within the Road and Bridge Fund. The fund balance of the Road and Bridge Fund increased \$90,319 since no road projects were scheduled in 2006, and the decrease of one employee in road maintenance.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

General Fund receipts were less than disbursements by \$64,175 indicating that the General Fund is in a deficit spending situation. The Township anticipates collecting delinquent taxes on properties under foreclosure, as opposed to requesting addition funds from taxpayers

**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 fund is the General Fund.

During 2006, the Township amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was due to receipt of more property tax and intergovernmental receipts than anticipated, and an increase in interest rate on investments.

Final disbursements and other financing sources were budgeted at \$613,850 while actual disbursements and other financing uses were \$365,366. The parking lot repaving project at the township complex was postponed until 2007, the contract for the special deputy from the Lucas County Sheriff's Department was cancelled. A conservative spending pattern is utilized in general government. The result is a decrease in the fund balance of \$64,175 for 2006

**Capital Assets Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure. The Township continues to update its equipment for both the township and fire department, as well as maintaining all township-owned buildings.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Conservative spending by the trustees will continue in 2007. Current investment options of township monies will continue to be explored by the fiscal officer in 2007.

**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 Donald R. Murray, Fiscal Officer, Jerusalem Township – Lucas County, Ohio, 9501 Jerusalem Road, Curtice, Ohio, 43412-9708.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$1,263,958</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$962,196
Unrestricted	301,762
<i>Total Net Assets</i>	<u><u>\$1,263,958</u></u>

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash	Charges	Operating	Governmental	
Disbursements	for Services and Sales	Grants and Contributions	Activities	
<b>Governmental Activities</b>				
General Government	\$235,500	\$10,785		(\$224,715)
Public Safety	213,100		\$25,964	(187,136)
Public Works	215,059	2,105	124,669	(88,285)
Health	16,000	9,861		(6,139)
Conservation-Recreation	20,533	5,869	6,720	(7,944)
Other	25			(25)
Capital Outlay	14,688			(14,688)
<i>Total Governmental Activities</i>	\$714,905	\$28,620	\$157,353	(528,932)
<b>General Receipts</b>				
Property Taxes				420,002
Other Taxes				124,112
Grants and Entitlements not Restricted to Specific Programs				62,002
Earnings on Investments				39,989
Miscellaneous				8,943
<i>Total General Receipts</i>				655,048
Change in Net Assets				126,116
<i>Net Assets Beginning of Year</i>				1,137,842
<i>Net Assets End of Year</i>				\$1,263,958

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Fire Special Levy	Recreation Special Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Cash Equivalents	<u>\$301,762</u>	<u>\$103,511</u>	<u>\$397,320</u>	<u>\$190,365</u>	<u>\$170,210</u>	<u>\$100,790</u>	<u>\$1,263,958</u>
<b>Fund Balances</b>							
Reserved:							
Reserved for Encumbrances				\$10			\$10
Unreserved:							
Undesignated, Reported in:							
General Fund	\$301,762						301,762
Special Revenue Funds		\$103,511	\$397,320	190,355	\$170,210	\$100,790	962,186
<b>Total Fund Balances</b>	<u>\$301,762</u>	<u>\$103,511</u>	<u>\$397,320</u>	<u>\$190,365</u>	<u>\$170,210</u>	<u>\$100,790</u>	<u>\$1,263,958</u>

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Fire Special Levy	Recreation Special Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$189,525		\$120,633	\$202,625	\$31,331		\$544,114
Charges for Services	4,405					\$1,950	6,355
Licenses, Permits and Fees	6,380				5,869	7,911	20,160
Intergovernmental	53,007	\$85,545	16,352	36,266	5,632	20,110	216,912
Special Assessments						2,105	2,105
Earnings on Investments	39,989	1,358				1,085	42,432
Miscellaneous	7,885		518	540			8,943
<b>Total Receipts</b>	<b>301,191</b>	<b>86,903</b>	<b>137,503</b>	<b>239,431</b>	<b>42,832</b>	<b>33,161</b>	<b>841,021</b>
<b>Disbursements</b>							
Current:							
General Government	235,500						235,500
Public Safety				213,100			213,100
Public Works	120,500	50,108	36,096			8,355	215,059
Health	6,142					9,858	16,000
Conservation-Recreation	1,399				19,134		20,533
Capital Outlay	1,800		11,088			1,800	14,688
<b>Total Disbursements</b>	<b>365,341</b>	<b>50,108</b>	<b>47,184</b>	<b>213,100</b>	<b>19,134</b>	<b>20,013</b>	<b>714,880</b>
Excess of Receipts Over (Under) Disbursements	(64,150)	36,795	90,319	26,331	23,698	13,148	126,141
Other Financing Uses	(25)						(25)
<b>Net Change in Fund Balances</b>	<b>(64,175)</b>	<b>36,795</b>	<b>90,319</b>	<b>26,331</b>	<b>23,698</b>	<b>13,148</b>	<b>126,116</b>
Fund Balances Beginning of Year	365,937	66,716	307,001	164,034	146,512	87,642	1,137,842
<b>Fund Balances End of Year</b>	<b>\$301,762</b>	<b>\$103,511</b>	<b>\$397,320</b>	<b>\$190,365</b>	<b>\$170,210</b>	<b>\$100,790</b>	<b>\$1,263,958</b>

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$172,819	\$172,819	\$189,525	\$16,706
Charges for Services			4,405	4,405
Licenses, Permits and Fees	1,500	1,500	6,380	4,880
Intergovernmental	43,181	43,181	53,007	9,826
Earnings on Investments	6,000	6,000	39,989	33,989
Miscellaneous	3,000	3,000	7,885	4,885
<i>Total receipts</i>	<u>226,500</u>	<u>226,500</u>	<u>301,191</u>	<u>74,691</u>
<b>Disbursements</b>				
Current:				
General Government	291,000	311,400	235,500	75,900
Public Safety	15,000	15,000		15,000
Public Works	138,500	138,500	120,500	18,000
Health	12,000	12,000	6,142	5,858
Conservation-Recreation	40,250	31,150	1,399	29,751
Capital Outlay	95,000	95,000	1,800	93,200
<i>Total Disbursements</i>	<u>591,750</u>	<u>603,050</u>	<u>365,341</u>	<u>237,709</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(365,250)</u>	<u>(376,550)</u>	<u>(64,150)</u>	<u>312,400</u>
Other Financing Uses	<u>(22,000)</u>	<u>(10,800)</u>	<u>(25)</u>	<u>10,775</u>
<i>Net Change in Fund Balance</i>	<u>(387,250)</u>	<u>(387,350)</u>	<u>(64,175)</u>	<u>323,175</u>
<i>Fund Balance Beginning of Year</i>	<u>365,937</u>	<u>365,937</u>	<u>365,937</u>	
<i>Fund Balance End of Year</i>	<u><u>(\$21,313)</u></u>	<u><u>(\$21,413)</u></u>	<u><u>\$301,762</u></u>	<u><u>\$323,175</u></u>

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$44,600	\$44,600	\$85,545	\$40,945
Earnings on Investments	400	400	1,358	958
<i>Total receipts</i>	<u>45,000</u>	<u>45,000</u>	<u>86,903</u>	<u>41,903</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>109,700</u>	<u>109,700</u>	<u>50,108</u>	<u>59,592</u>
<i>Net Change in Fund Balance</i>	(64,700)	(64,700)	36,795	101,495
<i>Fund Balance Beginning of Year</i>	<u>66,716</u>	<u>66,716</u>	<u>66,716</u>	
<i>Fund Balance End of Year</i>	<u><u>\$2,016</u></u>	<u><u>\$2,016</u></u>	<u><u>\$103,511</u></u>	<u><u>\$101,495</u></u>

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$107,100	\$107,100	\$120,633	\$13,533
Intergovernmental	19,000	19,000	16,352	(2,648)
Miscellaneous	1,000	1,000	518	(482)
<i>Total Receipts</i>	<u>127,100</u>	<u>127,100</u>	<u>137,503</u>	<u>10,403</u>
<b>Disbursements</b>				
Current:				
Public Works	271,800	271,800	36,096	235,704
Capital Outlay	155,000	155,000	11,088	143,912
<i>Total Disbursements</i>	<u>426,800</u>	<u>426,800</u>	<u>47,184</u>	<u>379,616</u>
<i>Net Change in Fund Balance</i>	(299,700)	(299,700)	90,319	390,019
<i>Fund Balance Beginning of Year</i>	<u>307,001</u>	<u>307,001</u>	<u>307,001</u>	
<i>Fund Balance End of Year</i>	<u><u>\$7,301</u></u>	<u><u>\$7,301</u></u>	<u><u>\$397,320</u></u>	<u><u>\$390,019</u></u>

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Fire Levy Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$192,000	\$192,000	\$202,625	\$10,625
Intergovernmental	30,000	30,000	36,266	6,266
Miscellaneous			540	540
<i>Total receipts</i>	<u>222,000</u>	<u>222,000</u>	<u>239,431</u>	<u>17,431</u>
<b>Disbursements</b>				
Current:				
General Government				
Public Safety	297,250	307,250	213,110	94,140
Capital Outlay	76,000	66,000		66,000
<i>Total Disbursements</i>	<u>373,250</u>	<u>373,250</u>	<u>213,110</u>	<u>160,140</u>
<i>Net Change in Fund Balance</i>	(151,250)	(151,250)	26,321	177,571
<i>Fund Balance Beginning of Year</i>	<u>164,034</u>	<u>164,034</u>	<u>164,034</u>	
<i>Fund Balance End of Year</i>	<u><u>\$12,784</u></u>	<u><u>\$12,784</u></u>	<u><u>\$190,355</u></u>	<u><u>\$177,571</u></u>

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Recreation Levy Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$36,850	\$36,850	\$31,331	(\$5,519)
Licenses, Permits and Fees	3,250	3,250	5,869	2,619
Intergovernmental	4,900	4,900	5,632	732
<i>Total receipts</i>	45,000	45,000	42,832	(2,168)
<b>Disbursements</b>				
Current:				
Conservation-Recreation	180,000	180,000	19,134	160,866
<i>Net Change in Fund Balance</i>	(135,000)	(135,000)	23,698	158,698
<i>Fund Balance Beginning of Year</i>	146,512	146,512	146,512	
<i>Fund Balance End of Year</i>	\$11,512	\$11,512	\$170,210	\$158,698

See accompanying notes to the basic financial statements

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 1 – REPORTING ENTITY**

Jerusalem Township, Lucas County, Ohio (the Township), is a body politic and corporate established in 1893 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.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. 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, fire protection; recreation and cemetery maintenance. Police protection is provided by the Lucas County Sheriff's Department.

The Township does not have any component units.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, 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. The following are the more significant of the Township's accounting policies.

**A. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The statement of net assets presents the cash balance of the governmental 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 requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity 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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. 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 (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for 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.

Gasoline Tax - The Gasoline Tax Fund receives gasoline tax money to pay for constructing, maintaining and repairing the Township's roads.

Road and Bridge - The Road and Bridge Fund receives property tax monies for constructing, and maintaining and repairing the Township's roads and bridges.

Fire Levy Fund - The Fire Levy Fund receives property tax monies to pay for Fire and EMS services

Recreation Levy Fund - The Recreation Levy Fund receives property tax monies for recreational activities.

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

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. 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.

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 expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All 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 certificated 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.

**E. Cash and Investments**

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

During 2006, the Township invested in 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, 2006.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2006 was \$39,989 which includes \$23,793 assigned from other Township funds.

**F. 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. The Township has no restricted assets.

**G. Inventory and Prepaid Items**

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

**H. 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.

**I. 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.

**J. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. 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 Road and Bridges, Fire and EMS Services, and Recreation activities.

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.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, Gasoline Tax Fund, Road and Bridge Fund, Fire Levy Fund, and Recreation Fund prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The encumbrances outstanding at year end (budgetary basis) amounted to \$10 for the fire special levy fund.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal 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 percent 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;

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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.

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, \$454,269 of the Township's bank balance of \$554,269 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 Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Township investments were in STAR Ohio in the amount of \$807,378.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 5 – PROPERTY TAXES**

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

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$7.75 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$59,622,120
Commercial/Industrial	5,158,080
Public Utility Property	
Real	1,040
Personal	2,535,530
Tangible Personal Property	1,312,733
Total Assessed Value	<u><u>\$68,629,503</u></u>

**NOTE 6 – 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.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$36,067. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<b><u>Contributions to OTARMA</u></b>	
2004	\$19,361
2005	\$19,582
2006	\$20,353

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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, 2006  
(Continued)**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

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

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

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

For the year ended December 31, 2006, the members of all three plans participating in the traditional plan were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$21,429, \$21,534, and \$20,780, respectively. The full amount has been contributed for 2006, 2005, and 2004.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 8 - 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, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next eight years and 4.00 percent 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 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund post-employment benefits were \$6257. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jerusalem Township, Lucas County, Ohio (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 15, 2007, in which we disclosed the Township prepares its financial statements on the cash basis of accounting. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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*.

### Internal Control Over Financial Reporting

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

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 a significant deficiency.

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

We consider deficiency 2006-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of 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 material weaknesses. However, we believe the significant deficiency described above, is also material weakness.

#### **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 an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

In a separate letter to the Township's management dated October 15, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 15, 2007

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006**

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

**FINDING NUMBER 2006-001**

**Noncompliance/Material Weakness**

Ohio Rev. Code Section 5705.10 requires all revenue derived from a source other than the general property tax and which the law prescribed shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The 2006 Township financial records reflected property taxes, special assessments, homestead and rollback, and Electric Deregulation funds revenues not distributed to the correct funds. The Township Fiscal Officer posted these adjustments to the Township records and they are reflected in the accompanying financial statements. The required adjustments are scheduled below:

Description	General Fund	Road and Bridge Fund	Fire Levy Fund	Recreation Levy Fund	Special Assessment #2401	Special Assessment #2402
Property Taxes	(\$7,440)			\$7,440		
Homestead and Rollback 1st half	1,046	(\$3,346)	\$4,290	(1,990)		
Homestead and Rollback 2nd half	(8,642)	2,691	5,175	776		
Special Assessment	(500)				\$250	\$250
Electric Deregulation	(1,399)	436	837	126		
<b>Net affect on Fund Balance</b>	<b>(\$16,935)</b>	<b>(\$219)</b>	<b>\$10,302</b>	<b>\$6,352</b>	<b>\$250</b>	<b>\$250</b>

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 is complete and accurate. We recommend a comparison between the tax settlement sheets provided by the Wood County Auditor and the UAN receipt posting be performed to ensure the Township's financial statements are complete and accurate.

**Officials Response:** The Officials did not respond regarding this matter.

**JERUSALEM TOWNSHIP  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Revised Code 5705.10 Intergovernmental Revenues were posted to incorrect funds	No	This finding has not been corrected and is repeated in this report as finding 2006-001.



Mary Taylor, CPA  
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  
NOVEMBER 8, 2007