

PERU TOWNSHIP
COLUMBUS REGION, MORROW COUNTY
REGULAR AUDIT
JANUARY 1, 2000 - DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Peru Township
3751 Peru Township Rd. 21
Marengo, Ohio 43334

We have reviewed the Independent Auditor's Report of Peru Township, Morrow County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2000 through December 31, 2001. 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. Peru Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 4, 2002

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**PERU TOWNSHIP
MORROW COUNTY**

DECEMBER 31, 2001 AND DECEMBER 31, 2000

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Board of Trustees
Peru Township
Morrow County
3751 Peru Township Rd. 21
Marengo, Ohio 43334

Report of Independent Accountants

We have audited the accompanying financial statements of Peru Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting 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 combined fund cash balances and reserves for encumbrances of the Township, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public record, and is available upon specific request.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
May 3, 2002

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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**PERU TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	(Memorandum Only) Total
Cash receipts:			
Local taxes	\$ 48,355	\$ -	\$ 48,355
Intergovernmental	16,993	56,091	73,084
Licenses, Permits and Fees	50	-	50
Interest Income	1,509	216	1,725
Miscellaneous	-	542	542
	66,907	56,849	123,756
Total cash receipts			
Cash disbursements:			
Current:			
Public Safety	-	20	20
Health	14,300	-	14,300
Public Works	8,000	68,660	76,660
General Government	46,867	-	46,867
Capital outlay	5,000	1,105	6,105
	74,167	69,785	143,952
Total cash disbursements			
Total receipts (under) cash disbursements	(7,260)	(12,936)	(20,196)
Other financing receipts:			
Other Sources	961	21	982
	961	21	982
Total other financing receipts			
Excess of cash receipts and other financing receipts (under) cash disbursements	(6,299)	(12,915)	(19,214)
Fund cash balances, January 1, 2001	37,607	26,669	64,276
Fund cash balances, December 31, 2001	\$ 31,308	\$ 13,754	\$ 45,062

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

**PERU TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	(Memorandum Only) Total
Cash receipts:			
Local taxes	\$ 48,100	\$ 37,982	\$ 86,082
Intergovernmental	21,155	56,127	77,282
Interest Income	1,933	297	2,230
Total cash receipts	71,188	94,406	165,594
Cash disbursements:			
Current:			
Public Safety	-	45,494	45,494
Health	5,944	-	5,944
Public Works	-	43,849	43,849
General Government	53,523	600	54,123
Capital outlay	33,375	4,676	38,051
Total cash disbursements	92,842	94,619	187,461
Total receipts (under) cash disbursements	(21,654)	(213)	(21,867)
Other financing receipts:			
Sale of fixed assets	2,145	-	2,145
Total other financing receipts	2,145	-	2,145
Excess of cash receipts and other financing receipts (under) cash disbursements	(19,509)	(213)	(19,722)
Fund cash balances, January 1, 2000 (as restated)	57,116	26,882	83,998
Fund cash balances, December 31, 2000	\$ 37,607	\$ 26,669	\$ 64,276
Reserve for encumbrances, December 31, 2000	\$ -	\$ 137	\$ 137

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

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Peru Township, Morrow County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by three publicly-elected Trustees. The Township provides general governmental services.

These financial statements present all activities for which the Township is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than earned, and disbursements are recognized 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).

C. FUND ACCOUNTING

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

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax and Motor Vehicle Tax Fund - This fund receives gasoline and motor vehicle tax for constructing, maintaining and repairing Township roads.

Fire District Fund-This fund receives levied taxes to pay a quarter of the expenses incurred by the local fire department. The Township joined a fire district on July 14, 2000 and therefore no longer uses the Fire District Fund. Additionally, the fire district tax levy was removed since they no longer operate their own Fire District. See Note 8 for the description of the Fire District.

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY PROCESS

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. PROPERTY, PLANT AND EQUIPMENT

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

F. PRIOR PERIOD ADJUSTMENTS

Adjustments were made to beginning fund balance for checks that had been listed as outstanding on the 1999 financial statements, but were in fact voided. These voided checks were posted as an adjustment to the beginning cash balance for fiscal year 2000. The total amount of the adjustment to the beginning cash fund balance to the General Fund and the Special Revenue Fund is \$319 and \$280, respectively.

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Interest Bearing Checking	\$20,062	\$39,276
Certificates of deposit	<u>\$25,000</u>	<u>\$25,000</u>
	<u>\$45,062</u>	<u>\$64,276</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 was as follows:

2001 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$57,974	\$67,868	\$9,894
Special Revenue	<u>60,180</u>	<u>56,870</u>	<u>(3,310)</u>
Total	<u>\$118,154</u>	<u>\$124,738</u>	<u>\$6,584</u>

2001 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$77,898	\$74,167	\$3,731
Special Revenue	<u>78,217</u>	<u>69,785</u>	<u>8,432</u>
Total	<u>\$156,115</u>	<u>\$143,952</u>	<u>\$12,163</u>

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$45,800	\$73,333	\$27,533
Special Revenue	<u>103,983</u>	<u>94,406</u>	<u>(9,577)</u>
Total	<u>\$149,783</u>	<u>\$167,739</u>	<u>\$17,956</u>

2000 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$88,382	\$92,842	(\$4,460)
Special Revenue	<u>130,052</u>	<u>94,756</u>	<u>35,296</u>
Total	<u>\$218,434</u>	<u>\$187,598</u>	<u>\$30,836</u>

4. PROPERTY TAX

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

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

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

5. DEBT

There was no debt outstanding at December 31, 2001 and 2000.

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

(Continued)

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2001 and December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Automobiles
- Public Officials & Employees Errors & Omissions

8. FIRE DISTRICT

On July 14, 2000 the Peru Township joined Westfield Township, the Village of Ashley, and Oxford Township to form the Elm Valley Fire District. As a result, the fire district levy was cancelled as the new District was required to pass their own levy. The Township is not financially liable to the Fire District as of December 31, 2001.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Peru Township
Morrow County
3751 Peru Township Rd. 21
Marengo, Ohio 43334

We have audited the accompanying financial statements of Peru Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated May 3, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-001, 2001-002 and 2001-003. We also noted certain immaterial instances of noncompliance that we reported to management of the Township in a separate letter dated May 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-001, 2001-002 and 2001-003.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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(740) 345-6611
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FAX (740) 345-5635

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 3, 2002.

This report is intended for the information and use of management, and Township Trustees, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
May 3, 2002

**PERU TOWNSHIP
MORROW COUNTY**

DECEMBER 31, 2001 AND DECEMBER 31, 2000

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2001-001
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Ohio Rev. Code Section 5575.01 states that in the maintenance and repair of roads the Board of Township Trustees may proceed either by contract or force account. When the Board proceeds by contract, the contract shall, if the amount involved exceeds fifteen thousand dollars, be let by the Board to the lowest responsible bidder after advertisement for bids once, not later than two weeks prior to the date fixed for the letting of such contract, in a newspaper published in the county and of general circulation within the Township, but if there is no such paper published in the county, then in one having general circulation in the Township.

During 2001, a Township Trustee contracted with T&M Excavating and Central Ohio Asphalt to pave Twp. Rd. 221 without having followed any bidding requirements or obtaining prior approval of the Board of Trustees. The Trustee instructed the Clerk/Treasurer to pay \$35,876 for the paving of the township road which the Trustee responsible for the contract lives on. It was noted that the purchase order was procured after the invoice was presented for the work performed and that all three Trustees as well as the Clerk signed the purchase orders and the check.

Finding Number	2001-002
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Ohio Rev. Code Section 5705.36 states the Township Clerk is to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the proceeding year. The Township is allowed to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The Township amended 2000 estimated resources on the financial statements but did not file an amended certificate of estimated resources with the County Auditor.

**PERU TOWNSHIP
MORROW COUNTY**

DECEMBER 31, 2001 AND DECEMBER 31, 2000

**SCHEDULE OF FINDINGS
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2001-003
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Ohio Rev. Code Section 5705.41 (D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. Fiscal officers may also issue "super blanket" certificates for amounts over \$5,000 for specific recurring and reasonably predictable operating expenses. This section also provides two "exceptions" to the above requirements:

Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

During 2001 and 2000, 9 out of the 20 disbursements were not encumbered until the time of payment. The disbursement test included 3 checks paid for the paving of Twp. Rd. 221, which it was noted was ordered by a Trustee without prior authorization or competitive bidding. These 9 commitments were not subsequently certified and approved under the exceptions noted above. One of the disbursements tested had a purchase order for \$500 that exceeded the dictated 3 month period. There was also one instance where an invoice could not be located.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PERU TOWNSHIP

MORROW 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
JUNE 18, 2002**