



Mary Taylor, CPA
Auditor of State

**PERRY TOWNSHIP
COSHOCTON COUNTY**

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Mary Taylor, CPA
Auditor of State

Perry Township
Coshocton County
19849 TR 383
Walhonding, Ohio 43843

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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November 6, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Perry Township
Coshocton County
19849 TR 383
Walhonding, Ohio 43843

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Coshocton County, Ohio (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Perry Township, Coshocton County, Ohio as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2006, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2008, 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.



Mary Taylor, CPA
Auditor of State

November 6, 2008

**PERRY TOWNSHIP
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$29,706	\$0	\$29,706
Intergovernmental	24,651	99,800	124,451
Earnings on Investments	590	1,146	1,736
	<u>54,947</u>	<u>100,946</u>	<u>155,893</u>
Cash Disbursements:			
Current:			
General Government	52,925	0	52,925
Public Works	0	55,338	55,338
Debt Service:			
Redemption of Principal	4,312	4,312	8,624
Interest and Other Fiscal Charges	858	759	1,617
	<u>58,095</u>	<u>60,409</u>	<u>118,504</u>
Total Receipts Over/(Under) Disbursements	<u>(3,148)</u>	<u>40,537</u>	<u>37,389</u>
Other Financing Receipts / (Disbursements):			
Advances-In	3,725	3,725	7,450
Advances-Out	(3,725)	(3,725)	(7,450)
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(3,148)	40,537	37,389
Fund Cash Balances, January 1	<u>5,646</u>	<u>48,636</u>	<u>54,282</u>
Fund Cash Balances, December 31	<u>\$2,498</u>	<u>\$89,173</u>	<u>\$91,671</u>

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

**PERRY TOWNSHIP
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$24,886	\$0	\$24,886
Intergovernmental	26,055	102,366	128,421
Earnings on Investments	473	732	1,205
Miscellaneous	761	0	761
	<u>52,175</u>	<u>103,098</u>	<u>155,273</u>
Cash Disbursements:			
Current:			
General Government	49,341	0	49,341
Public Works	0	81,647	81,647
Debt Service:			
Redemption of Principal	4,312	4,312	8,624
Interest and Other Fiscal Charges	929	1,030	1,959
	<u>54,582</u>	<u>86,989</u>	<u>141,571</u>
Total Receipts Over/(Under) Disbursements	<u>(2,407)</u>	<u>16,109</u>	<u>13,702</u>
Other Financing Receipts / (Disbursements):			
Transfers-In	5,147	0	5,147
Transfers-Out	0	(5,147)	(5,147)
	<u>5,147</u>	<u>(5,147)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,740	10,962	13,702
Fund Cash Balances, January 1	<u>2,906</u>	<u>37,674</u>	<u>40,580</u>
Fund Cash Balances, December 31	<u>\$5,646</u>	<u>\$48,636</u>	<u>\$54,282</u>

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

**PERRY TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Perry Township, Coshocton County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance. The Township contracts with the Walhonding Valley Fire District to provide fire services and Emergency Medical Services, Inc. to provide ambulance services.

B. Accounting Basis

During 2005, the Township followed the modified cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the modified cash accounting basis.

During 2007 and 2006, the Township continued to use the modified cash accounting basis, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**PERRY TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
Continued**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

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

E. Budgetary Process

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

1. Appropriations

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

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**PERRY TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
Continued**

2. Equity in Pooled Cash and Investments

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

	2006	2007
Demand deposits	\$54,282	\$91,671

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,901	\$58,672	\$6,771
Special Revenue	106,887	104,671	(2,216)
Total	\$158,788	\$163,343	\$4,555

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,594	\$61,820	\$2,774
Special Revenue	141,993	64,134	77,859
Total	\$206,587	\$125,954	\$80,633

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,032	\$57,322	\$8,290
Special Revenue	98,719	103,098	4,379
Total	\$147,751	\$160,420	\$12,669

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,882	\$54,582	\$2,300
Special Revenue	122,863	92,136	30,727
Total	\$179,745	\$146,718	\$33,027

**PERRY TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
Continued**

4. Property Tax

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

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

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$34,492	3.95%

The Township issued general obligation notes in the amount of \$60,362 to finance the purchase of a tractor for Township road maintenance. The note is secured by the tractor.

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

	General Obligation Notes
Year ending December 31:	
2008	\$9,904
2009	9,561
2010	9,220
2011	8,879
Total	\$37,564

6. Retirement System

The Township's Trustees and Fiscal Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**PERRY TOWNSHIP
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
Continued**

7. Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$6,862,902	\$6,290,528

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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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*

Perry Township
Coshocton County
19849 TR 383
Walhonding, Ohio 43843

To the Township Board of Trustees:

We have audited the financial statements of Perry Township, Coshocton County, Ohio (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 6, 2008, wherein we noted the Township changed its financial statement presentation to the accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 opinion 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 first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Finding Numbers 2007-001 and 2007-002 described in the accompanying Schedule of Findings to be significant deficiencies in internal control and 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe Finding Numbers 2007-001 and 2007-002 are also material weaknesses.

We noted certain matters that we reported to the Township's management in a separate letter dated November 6, 2008.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-003.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 6, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 6, 2008

**PERRY TOWNSHIP
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness/Material Non-Compliance

Proposed Finding for Recovery

Ohio Rev. Code Section 505.601 indicates if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Attorney General Opinion 2005-038 determined that township officers and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs".

During 2007 and 2006, the Trustees passed a maximum insurance reimbursement for each elected official totaling \$250 per month as evidenced in the minute records. The Fiscal Officer, Janette Donaker, procures three life insurance policies and one disability policy whose monthly premiums total \$84.79 and \$56.44, respectively. Those life and disability insurance premiums are paid directly by the Township. The remaining \$108.77 (\$250.00 less \$84.79 and \$56.44) is reimbursed monthly directly to the Fiscal Officer to cover out of pocket family health insurance premium expenses, which includes Trustee Alan Donaker, the Fiscal Officer's spouse, for a total of \$2,610.48 during 2007 and 2006. Secondly, Trustee Alan Donaker procures three life insurance policies whose monthly premiums total \$84.80. Those life insurance premiums are paid directly by the Township. The remaining \$165.20 (\$250.00 less \$84.80) is reimbursed monthly directly to Trustee Alan Donaker to cover out-of-pocket family health insurance premium expenses incurred by his spouse for a total of \$3,964.80 during 2007 and 2006. The actual Fiscal Officer's bi-weekly health insurance payroll deduction totals \$64.89 or a bi-annual out-of-pocket premium of \$3,374.28 (\$64.89 x 26 pays/year x 2 years). As a result, the reimbursement to Trustee Alan Donaker totaling \$3,964.80 exceeded the remaining out-of-pocket family health insurance premium expenses (\$763.80) by \$3,201.

FINDING NUMBER 2007-001 (Continued)

Proposed Finding for Recovery (Continued)

Ohio Rev. Code Section 505.601 (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee Alan Donaker and Ohio Government Risk Management Plan, his bonding company, jointly and severally, in the amount of \$3,201 and in favor of the Township's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liability for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liability if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because certain Township Officers signed the warrants resulting in improper payments, the following are jointly and severally liable for the entire amount of \$3,201; Donald Cummings, Township Trustee; Bruce Lowery, Township Trustee; Janette Donaker, Fiscal Officer; and Ohio Government Risk Management Plan, their bonding company.

Donald Cummings, Bruce Lowery, and Janette Donaker shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Alan Donaker.

The Township should implement procedures to ensure elected officials are only reimbursed for out-of-pocket premium expenses.

Officials' Response: Previously, the Perry Township Fiscal Officer was advised verbally that all Township Officers had to be treated equally regarding insurance premiums. Since that time, Perry Township has been paying the same insurance amounts for all Officers, including Trustee Donaker. During the current audit, we learned that the statement told to the Fiscal Officer was incorrect.

The Township is now complying with Ohio Rev. Code Section 505.601, and Mr. Donaker is not being reimbursed for any health insurance premiums.

FINDING NUMBER 2007-002

Material Weakness/Material Non-Compliance

Proposed Finding for Recovery

Ohio Rev. Code Section 505.602 allows a Board of Trustees to procure and pay all or any part of the cost of group life insurance to insure the lives of officers and full-time employees of the Township. The amount of group life insurance coverage provided by the Board of Trustees to insure the lives of officers of the Township shall not exceed fifty thousand dollars per officer.

FINDING NUMBER 2007-002 (Continued)

Proposed Finding for Recovery (Continued)

Ohio Rev. Code Section 505.602 (Continued)

Life insurance policies for Fiscal Officer, Janette Donaker, and Trustees Alan Donaker and Bruce Lowery were not procured by the Township. In addition, the life insurance coverage for Trustee Bruce Lowery's life insurance policy was \$101,000. As stated above, the Township may procure its own Township plan for group life insurance; however, it has no authority to reimburse officers or employees for this type of insurance. As a result, the reimbursements of life insurance premiums in 2007 and 2006 for Trustee Alan Donaker, Trustee Bruce Lowery, and Fiscal Officer Janette Donaker in the amounts of \$2,035.20, \$820.20, and \$2,034.96 respectively, are not allowable per Ohio Rev. Code Section 505.602.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee Alan Donaker, Trustee Bruce Lowery, Fiscal Officer Janette Donaker, and their bonding company Ohio Government Risk Management Plan in the corresponding amounts listed above. Each is primarily liable for the amount received in overpayment.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because all Township Officers signed the warrants resulting in improper payments, the following are jointly and severally liable for the entire amount of \$4,890.36: Trustee Donald Cummings, Trustee Alan Donaker, Trustee Bruce Lowery, Fiscal Officer Janette Donaker, and their bonding company Ohio Government Risk Management Plan. This recovery is in favor of Perry Township's General Fund.

Officials' Response: Perry Township Officers relied on prior verbal legal advice and procured individual life insurance policies instead of a group life insurance policy. The expense of the premiums for individual policies was less expensive than a group policy. These individual policies have been in effect for at least 10 years and have resulted in a savings to the Township.

The Township has recently acquired quotes for group life insurance for the Officers and the quotes are more expensive than the current individual policies. Because of the savings to the Township for procuring individual policies, the Township argues that the Finding for Recovery is in error.

FINDING NUMBER 2007-003

Material Non-Compliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal year 2006 and 2007, 47% (27/55) of the expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. The Township Fiscal Officer should certify the availability of funds for expenditures and also implement the use of 'then and now' certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2007-003 (Continued)

Material Non-Compliance (Continued)

Ohio Rev. Code Section 5705.41D (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursement and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should also sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

We also reported this matter in our audit of the 2005 financial statements.

Officials' Response: The Township started using Super Blanket Certificates at the beginning of 2008; therefore, the Township is now complying with Ohio Rev. Code Section 5705.41(D).

**PERRY TOWNSHIP
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code 5705.41(D), Failure to certify funds.	No	Not Corrected. Refer to Finding 2007-003.



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

COSHOCTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2009**