

PERRY TOWNSHIP

ALLEN COUNTY

REGULAR AUDIT

JANUARY 1, 2007 THROUGH DECEMBER 31, 2008

YEARS AUDITED UNDER GAGAS: 2008 AND 2007

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Perry Township
2408 E. Breese Road
Lima, Ohio 45806

We have reviewed the *Independent Auditor's Report* of Perry Township, Allen County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Perry Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 26, 2009

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**PERRY TOWNSHIP
ALLEN COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Independent Auditor's Report

Board of Trustees
Perry Township
Allen County
P.O. Box 955
Lima, Ohio 45802

We have audited the accompanying financial statements of Perry Township (the Township), Allen County, as of and for the years ended December 31, 2008 and 2007. 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 *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 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2008 and 2007. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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.

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, 2008 and 2007, 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, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of the December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. 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 June 12, 2009, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

June 12, 2009

**PERRY TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | <u>Governmental Fund Types</u> | | Totals |
|---|--------------------------------|----------------------------|----------------------|
| | <u>General</u> | <u>Special Revenue</u> | (Memorandum Only) |
| <u>Cash Receipts</u> | | | |
| Property and Other Taxes | \$ 301,324 | \$ 744,613 | \$ 1,045,937 |
| Intergovernmental Receipts | 108,290 | 195,706 | 303,996 |
| Special Assessments | - | 6,096 | 6,096 |
| Charges for Services | - | 97,250 | 97,250 |
| Licenses, Permits and Fees | 10,974 | 595 | 11,569 |
| Fines and Forfeitures | 1,731 | 3,870 | 5,601 |
| Earnings on Investment | 19,830 | 373 | 20,203 |
| Miscellaneous | 35,278 | 21,927 | 57,205 |
| | <u>477,427</u> | <u>1,070,430</u> | <u>1,547,857</u> |
| <u>Disbursements</u> | | | |
| Current: | | | |
| General Government | 274,156 | - | 274,156 |
| Public Safety | 74,044 | 557,075 | 631,119 |
| Public Works | 10,797 | 268,914 | 279,711 |
| Health | 12,226 | - | 12,226 |
| Capital Outlay | 2,538 | 476,730 | 479,268 |
| Debt Services: | | | |
| Principal Payments | - | 391,343 | 391,343 |
| Interest Payments | - | 24,706 | 24,706 |
| | <u>373,761</u> | <u>1,718,768</u> | <u>2,092,529</u> |
| Total Receipts Over /(Under) Disbursements | <u>103,666</u> | <u>(648,338)</u> | <u>(544,672)</u> |
| <u>Other Financing Receipts (Disbursements)</u> | | | |
| Transfers In | - | 17,500 | 17,500 |
| Transfers Out | (17,500) | - | (17,500) |
| Total Other Financing Receipts /(Disbursements) | <u>(17,500)</u> | <u>17,500</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over /(Under) Cash Disbursements and Other Financing Disbursements | | | |
| | 86,166 | (630,838) | (544,672) |
| Fund Cash Balance, January 1 | <u>301,571</u> | <u>1,067,557</u> | <u>1,369,128</u> |
| Fund Cash Balance, December 31 | <u>\$ 387,737</u> | <u>\$ 436,719</u> | <u>\$ 824,456</u> |

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

**PERRY TOWNSHIP
ALLEN 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> | | Totals (Memorandum Only) |
|---|--------------------------------|---------------------|--------------------------------|
| | General | Special Revenue | |
| <u>Cash Receipts</u> | | | |
| Property and Other Taxes | \$ 290,460 | \$ 751,498 | \$ 1,041,958 |
| Intergovernmental Receipts | 160,061 | 219,826 | 379,887 |
| Charges for Services | - | 83,706 | 83,706 |
| Special Assessments | - | 5,960 | 5,960 |
| Licenses, Permits and Fees | 24,164 | 38 | 24,202 |
| Fines and Forfeitures | 3,490 | 2,947 | 6,437 |
| Earnings on Investment | 41,494 | 1,349 | 42,843 |
| Miscellaneous | 15,457 | 9,090 | 24,547 |
| Total Cash Receipts | <u>535,126</u> | <u>1,074,414</u> | <u>1,609,540</u> |
| <u>Disbursements</u> | | | |
| Current: | | | |
| General Government | 247,407 | - | 247,407 |
| Public Safety | 56,622 | 412,222 | 468,844 |
| Public Works | 13,621 | 207,896 | 221,517 |
| Health | 20,203 | - | 20,203 |
| Capital Outlay | 7,854 | 319,119 | 326,973 |
| Debt Services: | | | |
| Principal Payments | - | 74,765 | 74,765 |
| Interest Payments | - | 20,365 | 20,365 |
| Total Cash Disbursements | <u>345,707</u> | <u>1,034,367</u> | <u>1,380,074</u> |
| Total Receipts Over /(Under) Disbursements | <u>189,419</u> | <u>40,047</u> | <u>229,466</u> |
| <u>Other Financing Receipts (Disbursements)</u> | | | |
| Sale of Bonds | - | 700,000 | 700,000 |
| Transfers In | - | 600 | 600 |
| Transfers Out | (600) | - | (600) |
| Total Other Financing Receipts /(Disbursements) | <u>(600)</u> | <u>700,600</u> | <u>700,000</u> |
| Excess of Cash Receipts and Other Financing Receipts Over /(Under) Cash Disbursements and Other Financing Disbursements | | | |
| | 188,819 | 740,647 | 929,466 |
| Fund Cash Balance, January 1 | <u>112,752</u> | <u>326,910</u> | <u>439,662</u> |
| Fund Cash Balance, December 31 | <u>\$ 301,571</u> | <u>\$ 1,067,557</u> | <u>\$ 1,369,128</u> |

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

**PERRY TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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, Allen 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, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Fund Accounting

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

1. General Fund

The General Fund 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 that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**PERRY TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fire Fund – This fund receives property tax money for providing fire protection to the Township.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 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.

G. Accumulated Leave

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

**PERRY TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

| | 2008 | 2007 |
|--------------------------------|------------|--------------|
| Demand Deposits | \$ 796,434 | \$ 1,341,805 |
| STAR Ohio | \$ 28,022 | \$ 27,323 |
| Total Deposits and Investments | \$ 824,456 | \$ 1,369,128 |

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

Investments: Investments in STAR OHIO are not evidenced by securities that exist in physical or book - entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

| 2008 Budget vs. Actual Receipts | | | |
|--|------------------------------|------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 534,709 | \$ 477,427 | \$ (57,282) |
| Special Revenue | 1,009,328 | 1,087,930 | 78,602 |
| Capital Projects | 86,102 | - | (86,102) |
| | 1,630,139 | 1,565,357 | (64,782) |

| 2008 Budget vs. Actual Disbursements | | | |
|---|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 565,789 | \$ 391,261 | \$ 174,528 |
| Special Revenue | 1,945,652 | 1,718,768 | 226,884 |
| Capital Projects | 86,102 | - | 86,102 |
| | 2,597,543 | 2,110,029 | 487,514 |

**PERRY TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2007 Budget vs. Actual Receipts | | | |
|--|------------------------------|------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 392,719 | \$ 535,126 | \$ 142,407 |
| Special Revenue | 988,422 | 1,775,014 | 786,592 |
| Capital Projects | - | - | - |
| | 1,381,141 | 2,310,140 | 928,999 |

| 2007 Budget vs. Actual Expenditures | | | |
|--|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 496,174 | \$ 346,307 | \$ 149,867 |
| Special Revenue | 1,312,260 | 1,034,367 | 277,893 |
| Capital Projects | - | - | - |
| | 1,808,434 | 1,380,674 | 427,760 |

4. PROPERTY TAX

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

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

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

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

**PERRY TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. D E B T

The Township's long-term debt activity for the year ended December 31, 2008, was as follows:

In 2006, The Township entered into a lease purchase agreement with Daimler Chrysler Truck Financial to purchase a dump truck for \$52,725 with an advance principal payment due at signing of \$14,264. The next payment of \$14,264 is scheduled for June 2009 of which \$747 will be for interest.

| | Principal | Interest Rate |
|-----------------|------------------|----------------------|
| Lease/ Purchase | \$ 13,516 | 5.53% |

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

| Year ending December 31: | Amount |
|-------------------------------------|---------------|
| 2009 | \$ 14,264 |
| Total | \$ 14,264 |

In 2007, the Township authorized the issuance and sale of \$700,000 at 4.17% in improvement bond anticipation notes for the construction of a fire station with a maturity date of May 2010 from JP Morgan Chase Bank, NA. The next payment of \$243,130 is schedule for May 2009 of which \$6,084 will be for interest.

| | Principal | Interest Rate |
|------|------------------|----------------------|
| Bond | \$ 321,465 | 4.17% |

Amortization of the above debt including interest is schedule as follows:

| Year ending December 31: | Amount |
|-------------------------------------|---------------|
| 2009 | \$ 244,995 |
| 2010 | 86,960 |
| Total | \$ 331,955 |

The debt obligation on the ambulance for the fire department was retired when the Township paid the principal Balance of \$ 62,628.on January 15, 2007.

6. RETIREMENT SYSTEMS

The Township's elected officials and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2008 and 2007, OPERS members contributed 10% and 9.5% of their gross salaries respectively. The Township contributed an amount equaling 14% and 13.85% of participants' gross salaries respectively. As of December 31, 2008 the Township has paid all contributions required.

**PERRY TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors & Irregularities; and
- Vehicles

8. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41(D) the Township did not properly certify the availability of funds prior to obligation for 19% of purchases tested in 2008 and 37% of the purchases tested in 2007.

9. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of the matter will not materially adversely affect the Township's financial condition.

10. MISCELLANEOUS RECEIPTS

In 2008, miscellaneous receipts in General Fund are comprised primarily of monies received from leasing the Township Bay to Homeland Security. The rest of the balance was made up of unpredictable receipts.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Perry Township
P.O. Box 955
Lima, Ohio 45802

We have audited the financial statements of Perry Township (the Township), Allen County, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 12, 2009 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2008-002 and 2008-003.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Perry Township
Allen County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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 deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following weakness described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting as item 2008-002.

Compliance and Other Matters

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 grant agreements, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2008-001.

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

This report is intended for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

June 12, 2009

**PERRY TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

| |
|---|
| 1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2008 - 001

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (1)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due.

The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Contrary to this requirement, the Township did not properly certify the availability of funds prior to obligation for 19% of the purchases tested in 2008 and 37% of the purchases tested in 2007.

We recommend the Township implement policies to ensure that all purchases first have monies certified by the Fiscal officer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Township Response:

Township officials will monitor the proper certifying of expenditures more closely.

**PERRY TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

| |
|---|
| 1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2008 – 002

Significant Control Deficiency/ Material Weakness - Misclassification of Debt payments and receipts

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the engagement that are considered significant deficiencies and/or material weaknesses.

During 2008 and 2007, the Township erroneously posted debt payments, property tax and intergovernmental receipts and did not use the proper account codes. This required reclassifications to properly present the activities of the Township for both years.

We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Township officials will monitor the allocation of debt disbursements, property tax and intergovernmental revenues more closely to properly represent the activities of the Township. Township will code receipts in accordance with the Township Handbook published by the Auditor of State.

FINDING NUMBER 2008 – 003

Significant Control Deficiency – Payroll Procedures

It was noted during the audit, that the Township did not present any written agreements as documentation to show the base contract compensation amounts for all employees.

Although the Township documents any raises in the minutes, we recommend that the base compensation amounts are also kept on file for documentation.

Township Response:

Township officials will ensure that written agreements are kept documenting the base compensation amounts for all employees.

**PERRY TOWNSHIP
ALLEN COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

For The Years Ended December 31, 2008 and 2007

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|---|-------------------------|--|
| 2006-001 | Revised code 731.14 Contract bidding requirements | Yes | N/A |
| 2006-002 | Revised code 5705.36 (A)(2) Appropriations exceeding available resources | Yes | N/A |
| 2006-003 | Revised code 5705.39 Appropriations exceeding estimated resources | Yes | N/A |
| 2006-004 | Revised code 5705.41 (B) Expenditures exceeding appropriations | Yes | N/A |
| 2006-005 | Revised code 5705.41(D) Timely certification of expenditures | No | Reissued as finding # 2008-001 |
| 2006-006 | Significant Deficiency- Timesheets | No | Partially corrected. Reissued as finding #2008-003 |



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

ALLEN 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
SEPTEMBER 8, 2009**