



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Perry Township
Stark County
3111 Hilton Street, N.W.
Massillon, Ohio 44646

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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 audits 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 provides a reasonable basis for our opinion.

As discussed 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 generally accepted accounting principles.

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, 1999 and 1998, 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 17, 2000 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Jim Petro
Auditor of State

May 17, 2000

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$61,485	\$3,014,388		\$3,075,873
Intergovernmental	907,347	664,337	\$237,500	1,809,184
Charges for Services		263,239		263,239
Licenses, Permits, and Fees	38,343			38,343
Fines, Forfeitures, and Penalties	51,949	9,876		61,825
Interest	83,445	434		83,879
Donations		2,000		2,000
Other	74,874	319,608		394,482
	<u>1,217,443</u>	<u>4,273,882</u>	<u>237,500</u>	<u>5,728,825</u>
Total Cash Receipts				
	<u>1,217,443</u>	<u>4,273,882</u>	<u>237,500</u>	<u>5,728,825</u>
Cash Disbursements:				
Current:				
General Government	868,284			868,284
Public Safety	319,100	2,658,499		2,977,599
Public Works		1,707,190	237,500	1,944,690
Health	100,821			100,821
Conservation - Recreation	154,046			154,046
	<u>1,442,251</u>	<u>4,365,689</u>	<u>237,500</u>	<u>6,045,440</u>
Total Cash Disbursements				
	<u>1,442,251</u>	<u>4,365,689</u>	<u>237,500</u>	<u>6,045,440</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(224,808)</u>	<u>(91,807)</u>	<u>0</u>	<u>(316,615)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		30,228		30,228
Transfers-Out	(30,228)			(30,228)
Other Sources	15,906			15,906
	<u>(14,322)</u>	<u>30,228</u>	<u>0</u>	<u>15,906</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(14,322)</u>	<u>30,228</u>	<u>0</u>	<u>15,906</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(239,130)	(61,579)	0	(300,709)
Fund Cash Balances, January 1	780,666	775,656	0	1,556,322
Fund Cash Balances, December 31	<u>\$541,536</u>	<u>\$714,077</u>	<u>\$0</u>	<u>\$1,255,613</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$57,290	\$2,902,746		\$2,960,036
Intergovernmental	829,078	447,547	\$322,095	1,598,720
Charges for Services		369,241		369,241
Licenses, Permits, and Fees	33,410			33,410
Fines, Forfeitures, and Penalties	66,097	9,888		75,985
Interest	93,490	473		93,963
Donations		4,620		4,620
Other	71,466	236,585		308,051
	<u>1,150,831</u>	<u>3,971,100</u>	<u>322,095</u>	<u>5,444,026</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	755,574			755,574
Public Safety	91,194	2,285,120		2,376,314
Public Works	34,878	1,601,100	322,095	1,958,073
Health	133,166			133,166
Miscellaneous		25,000		25,000
Conservation - Recreation	420,365			420,365
	<u>1,435,177</u>	<u>3,911,220</u>	<u>322,095</u>	<u>5,668,492</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements:	<u>(284,346)</u>	<u>59,880</u>	<u>0</u>	<u>(224,466)</u>
Other Financing Receipts:				
Other Sources	35,796			35,796
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(248,550)	59,880	0	(188,670)
Fund Cash Balances, January 1	<u>1,029,216</u>	<u>715,776</u>	<u>0</u>	<u>1,744,992</u>
Fund Cash Balances, December 31	<u>\$780,666</u>	<u>\$775,656</u>	<u>\$0</u>	<u>\$1,556,322</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>Internal Service</u>	
	<u>1999</u>	<u>1998</u>
Operating Cash Receipts:		
Charges for Services	\$357,500	\$267,403
Operating Cash Disbursements:		
Contractual Services	<u>357,500</u>	<u>267,403</u>
Operating Income	<u>0</u>	<u>0</u>
Fund Cash Balances, January 1	<u>0</u>	<u>0</u>
Fund Cash Balances, December 31	<u>\$0</u>	<u>\$0</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Perry Township, Stark County, (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 a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including street and road maintenance, emergency management services, fire protection and police protection.

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 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 when 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).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit and repurchase agreement are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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:

Police District Fund - This fund receives property tax and grant money for the purpose of funding the Township's police department.

Fire District Fund - This fund receives property tax money for emergency services for the purpose of funding the Township's fire and emergency management departments.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Fund - This fund receives property tax money for constructing, maintaining and repairing Township streets.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

Issue II Fund - This fund is maintained to account for the resources and expenditure of Issue II funds.

4. Internal Service Fund

This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township. The Township had the following significant Internal Service Fund:

Medical Insurance Fund - This fund is used to account for receipts and expenditures associated with the Township's self-funded health insurance plan.

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 1999 and 1998 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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>1999</u>	<u>1998</u>
Demand deposits	(\$44,387)	(\$178,678)
Certificate of deposit	<u>900,000</u>	<u>1,000,000</u>
Total deposits	855,613	821,322
Repurchase Agreement	<u>400,000</u>	<u>735,000</u>
Total deposits and investments	<u><u>\$1,255,613</u></u>	<u><u>\$1,556,322</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 is as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$896,558	\$1,233,349	\$336,791
Special Revenue	4,022,183	4,304,110	281,927
Capital Projects	2,368,520	237,500	(2,131,020)
Internal Service	<u>357,500</u>	<u>357,500</u>	<u>0</u>
Total	<u><u>\$7,644,761</u></u>	<u><u>\$6,132,459</u></u>	<u><u>(\$1,512,302)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,646,996	\$1,472,479	\$174,517
Special Revenue	4,828,067	4,365,689	462,378
Capital Projects	2,368,520	237,500	2,131,020
Internal Service	357,500	357,500	0
Total	<u>\$9,201,083</u>	<u>\$6,433,168</u>	<u>\$2,767,915</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$832,675	\$1,186,627	\$353,952
Special Revenue	3,698,740	3,971,100	272,360
Capital Projects	910,000	322,095	(587,905)
Special Assessment	200	0	(200)
Internal Service	267,403	267,403	0
Total	<u>\$5,709,018</u>	<u>\$5,747,225</u>	<u>\$38,207</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,861,892	\$1,435,177	\$426,715
Special Revenue	4,414,516	3,911,220	503,296
Capital Projects	910,000	322,095	587,905
Special Assessment	200	0	200
Internal Service	267,403	267,403	0
Total	<u>\$7,454,011</u>	<u>\$5,935,895</u>	<u>\$1,518,116</u>

During 1999 and 1998, the Township did not encumber or certify various expenditure which is contrary to Ohio Rev. Code Section 5705.41(D).

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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

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.

5. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Firemen's Disability and Pension Fund (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 24% of their wages. PERS members contributed 8.5% of their gross salaries other than law enforcement employees. Law enforcement employees contributed 9% of covered payroll. The Township contributed an amount equal to 13.55% of participants' gross salaries other than law enforcement employees. The Township contributed 16.70% of covered payroll for law enforcement employees. The Township has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA) a group self-insurance pool of Ohio Townships (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- Comprehensive Property and General Liability
- Vehicles
- Commercial Inland Marine
- General Liability
- Public Officials' Liability
- Employers' Liability
- Employee Benefits Liability

The Township also provides health insurance and dental and vision coverage to full-time employees through Aultcare, Inc.

7. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

8. JOINT VENTURE

The Township participates in the Perry-Navarre Joint Economic Development District (the District) which is a statutorily created political subdivision of the State. The purpose of the District is to facilitate economic development and to preserve jobs and employment opportunities. This joint venture is considered a separate reporting entity by the Township's administration. Accordingly, the joint venture has not been included in these financial statements.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Perry Township
Stark County
3111 Hilton Street, N.W.
Massillon, Ohio 44646

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 17, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-41276-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated May 17, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, 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 17, 2000.

Perry Township
Stark County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 17, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41276-001

Noncompliance

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.

The Township utilizes the procedure of making "Direct" expenditures in a variety of situations. A "Direct" expenditure usually does not entail the certification of funds as mandated by Ohio Rev. Code Section 5705.41 (D). This type of "Direct" expenditure is restricted to payroll and payroll related expenditures. Of the 60 non-payroll expenditures tested, we noted the Township considered 22 of those items selected as "Direct" expenditures. Of the 22, 21 were not the type of expenditure that could be paid through a "Direct" process. Additionally, we also scanned various monthly cash journals throughout the audit period to determine the pervasiveness of the practice. During this procedure, we noted the Township improperly paid through a "Direct" process the following types of expenditures: consultants fees (including engineers and legal), utilities, large contracts, and various insurance expenses. Not properly encumbering and certifying expenditures could result in overspending of funds and misstating the Township's financial position. The Township should implement policies and procedures to ensure only payroll related expenditures are excluded from the certification requirement.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PERRY TOWNSHIP

STARK 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
JULY 6, 2000**