

PERRY TOWNSHIP

LICKING COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Perry Township
6414 Branch Road NE
Frazeyburg, Ohio 43822

We have reviewed the *Independent Auditors' Report* of Perry Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Auditors' 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 Auditors' 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

July 8, 2008

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**PERRY TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITORS' REPORT

Perry Township
Licking County
6414 Branch Road NE
Frazeytsburg, Ohio 43822

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Licking County, (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. 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.

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

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Perry Township, Licking County, 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.

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 May 10, 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.

Wilson, Shuman & Sons, Inc.

May 10, 2008

**PERRY TOWNSHIP
LICKING 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)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Other Local Taxes	\$ 54,699	\$ 72,819	\$ 5,511	\$ -	\$ -	\$ 133,029
Licenses, Permits, and Fees	3,150	-	-	-	-	3,150
Intergovernmental	39,343	97,702	316	137,894	-	275,255
Earnings on Investments	208	371	-	-	75	654
Miscellaneous	43	7,618	-	-	-	7,661
	<u>97,443</u>	<u>178,510</u>	<u>5,827</u>	<u>137,894</u>	<u>75</u>	<u>419,749</u>
Cash Disbursements:						
Current:						
General Government	97,669	1,959	-	-	-	99,628
Public Safety	-	63,935	-	-	-	63,935
Public Works	7,000	122,922	85	-	-	130,007
Health	12,243	2,000	-	-	-	14,243
Capital Outlay	-	-	-	137,894	-	137,894
Debt Service:						
Redemption of Principal	-	-	6,397	-	-	6,397
Interest and Other Fiscal Charges	-	-	1,159	-	-	1,159
	<u>116,912</u>	<u>190,816</u>	<u>7,641</u>	<u>137,894</u>	<u>-</u>	<u>453,263</u>
Total Receipts Over/(Under) Disbursements	<u>(19,469)</u>	<u>(12,306)</u>	<u>(1,814)</u>	<u>-</u>	<u>75</u>	<u>(33,514)</u>
Fund Cash Balances, January 1	<u>27,945</u>	<u>69,127</u>	<u>9,812</u>	<u>-</u>	<u>2,592</u>	<u>109,476</u>
Fund Cash Balances, December 31	<u>\$ 8,476</u>	<u>\$ 56,821</u>	<u>\$ 7,998</u>	<u>\$ -</u>	<u>\$ 2,667</u>	<u>\$ 75,962</u>

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

**PERRY TOWNSHIP
LICKING 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>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 49,661	\$ 40,958	\$ 8,569	\$ -	\$ 99,188
Licenses, Permits, and Fees	3,600	-	-	-	3,600
Intergovernmental	114,579	105,100	1,055	-	220,734
Earnings on Investments	301	480	-	69	850
Miscellaneous	547	3,700	-	-	4,247
Total Cash Receipts	<u>168,688</u>	<u>150,238</u>	<u>9,624</u>	<u>69</u>	<u>328,619</u>
Cash Disbursements:					
Current:					
General Government	88,636	16,307	-	-	104,943
Public Safety	39,906	29,530	-	-	69,436
Public Works	-	90,954	139	-	91,093
Health	7,069	400	-	300	7,769
Other	-	600	-	-	600
Capital Outlay	-	63,611	-	-	63,611
Debt Service:					
Redemption of Principal	25,000	8,238	7,911	-	41,149
Interest and Other Fiscal Charges	-	98	874	-	972
Total Cash Disbursements	<u>160,611</u>	<u>209,738</u>	<u>8,924</u>	<u>300</u>	<u>379,573</u>
Total Receipts Over/(Under) Disbursements	<u>8,077</u>	<u>(59,500)</u>	<u>700</u>	<u>(231)</u>	<u>(50,954)</u>
Other Financing Receipts:					
Sale of Notes	-	58,034	-	-	58,034
Sale of Capital Assets	-	12,500	-	-	12,500
Total Other Financing Receipts	<u>-</u>	<u>70,534</u>	<u>-</u>	<u>-</u>	<u>70,534</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	8,077	11,034	700	(231)	19,580
Fund Cash Balances, January 1	<u>19,868</u>	<u>58,093</u>	<u>9,112</u>	<u>2,823</u>	<u>89,896</u>
Fund Cash Balances, December 31	<u>\$ 27,945</u>	<u>\$ 69,127</u>	<u>\$ 9,812</u>	<u>\$ 2,592</u>	<u>\$ 109,476</u>

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

**PERRY TOWNSHIP
LICKING 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, Licking County, (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 and cemetery maintenance. The Township contracts with the Hanover Township to provide fire protection and emergency medical services.

The Township participates in the Ohio Government Risk Management Plan, a risk sharing public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**PERRY TOWNSHIP
LICKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Fire District Fund - This fund receives property tax and intergovernmental monies for contracted fire protection services to Township residents.

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

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund receives property tax and intergovernmental revenue monies to pay for the retirement of debt principal and interest associated with outstanding debt.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund - The Township received a grant from the Ohio Public Works Commission for road construction and repair.

5. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**PERRY TOWNSHIP
LICKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool all funds use with the exception of the Permanent Fund which invests solely in a certificate of deposit. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$73,462	\$106,976
Certificates of deposit	2,500	2,500
Total deposits	<u>\$75,962</u>	<u>\$109,476</u>

**PERRY TOWNSHIP
LICKING COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

3. CHANGE IN BASIS OF ACCOUNTING

Last year the Township revised its financial statement presentation in accordance with Governmental Accounting Standards Board Statement No. 34. The fund financial statements had presented each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. This year the Township elected to report its financial statements by fund type using the regulatory basis of accounting prescribed by the Auditor of State's Office. In conjunction with this presentation change, the Township has reported certain fund reclassifications to reconcile and report on the regulatory basis which had the following affect on the fund balances as previously reported:

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	<u>Total</u>
Cash Balances at 12/31/05	\$ 0	\$ 0	\$ 0	\$ 0
Reclassification of Gas Tax Fund	25,806	0	0	25,806
Reclassification of Other Governmental Funds	32,287	9,112	0	41,399
Reclassification of the Fiduciary Fund	0	0	2,823	2,823
Total	<u>\$58,093</u>	<u>\$ 9,112</u>	<u>\$ 2,823</u>	<u>\$70,028</u>

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,920	\$97,443	(\$9,477)
Special Revenue	195,063	178,510	(16,553)
Debt Service	5,691	5,827	136
Capital Projects	137,914	137,894	(20)
Permanent	100	75	(25)
Total	<u>\$445,688</u>	<u>\$419,749</u>	<u>(\$25,939)</u>

**PERRY TOWNSHIP
LICKING COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,342	\$116,912	\$5,430
Special Revenue	228,821	190,816	38,005
Debt Service	15,403	7,641	7,762
Capital Projects	137,914	137,894	20
Permanent	192	0	192
Total	\$504,672	\$453,263	\$51,409

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,866	\$168,688	(\$17,178)
Special Revenue	127,573	220,772	93,199
Debt Service	9,436	9,624	188
Permanent	128	69	(59)
Total	\$323,003	\$399,153	\$76,150

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,397	\$160,611	\$23,786
Special Revenue	171,229	209,738	(38,509)
Debt Service	8,985	8,924	61
Permanent	420	300	120
Total	\$365,031	\$379,573	(\$14,542)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax fund by \$50,158 for the year ended December 31, 2006. Also contrary to Ohio law, at December 31, 2006, the Township did not properly amend estimated receipts or appropriations contrary to Ohio Revised Code Sections 5705.36 and 5705.40, respectively.

**PERRY TOWNSHIP
LICKING COUNTY**

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

5. 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.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$26,637	5.25%

The Township issued \$58,034 general obligation notes to finance the purchase of a new backhoe for Township road maintenance. The Township's taxing authority collateralized the notes.

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

Year ending December 31:	Principal	Interest	Total
2008	\$6,158	\$1,398	\$7,556
2009	6,478	1,078	7,556
2010	6,821	735	7,556
2011	7,180	377	7,557
Total	\$26,637	\$3,588	\$30,225

7. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a 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
LICKING COUNTY**

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

8. RISK MANAGEMENT

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 for the 15% casualty and the 10% property portions the Plan retains. 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: 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Perry Township
Licking County
6414 Branch Road NE
Frazeyburg, Ohio 43822

To the Board of Trustees:

We have audited the financial statements of Perry Township, Licking County (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 10, 2008 wherein we noted the Township followed accounting practices the Auditor of State prescribes 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 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 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 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 the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-002 and 2007-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001, 2007-002 and 2007-003 are also material weaknesses.

We also noted a matter that we have communicated to the management of the Township in a separate letter dated May 10, 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted a matter that we have communicated to the management of the Township in a separate letter dated May 10, 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 Board of Trustees. We intend it for no one other than these specified parties.

Wilson, Shuman & Sons, Inc.

May 10, 2008

**PERRY TOWNSHIP
LICKING COUNTY**

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

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

FINDING NUMBER 2007-001

Ohio Administrative Code Section 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Rev. Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Rev. Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2006, the Board of Trustees entered into an agreement with a local financial institution totaling \$58,034 for the purpose of partially financing the purchase of a backhoe. The financial institution made the check payable directly to the vendor. The Township Fiscal Officer did not post the debt proceeds and the capital outlay expenditure to its financial records. As a result, receipts and disbursements were understated on the Township's financial records and financial statements for 2006.

Additionally, the Township Fiscal Officer did not obtain an amended certificate for the proceeds of the note, nor did the Township Trustees amend their appropriations for the purchases of the backhoe.

Adjustments with which the Board of Trustees' agree are reflected in the accompanying financial statements. This also resulted in violation of Ohio Revised Code Section 5705.41(B) within the Special Revenue Gasoline Tax Fund as this activity was not budgeted by the Township Trustees. (See Finding No. 2007-002).

We recommend the Township Fiscal Officer record all debt proceeds and the corresponding expenditures in the Township's books.

Officials Response: The Township will properly record and budget for all payments made on behalf-of the Township in future years.

**PERRY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-002

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. We noted the following fund which had expenditures exceeding appropriations at December 31, 2006:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Special Revenue - Gasoline Tax Fund – Capital Outlay	\$147,850	\$97,692	(\$50,158)

The Township is expending monies that have not been approved by the Board of Trustees. This could result in unnecessary purchases or fund deficits.

We recommend that the Township comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary. Furthermore, the Township should record all financial transactions which are paid on-behalf of the Township during the year within its accounting records and budget such amounts as described in Finding Number 2007-001.

Officials Response: The Township will monitor appropriations throughout the year to determine the Township is compliant.

FINDING NUMBER 2007-003

We identified several receipts and expenditures which were not posted into accurate revenue or expenditures classifications based on the source of the receipt or expenditure.

During 2006 we noted the Township did not properly record the note proceeds or capital outlay expenditure associated with the purchase of a backhoe as described in Finding Number 2007-001. In addition, we noted audit reclassifications for estate taxes recorded as real estate taxes instead of intergovernmental and also the sale of a truck which was recorded as a miscellaneous receipt versus the sale of capital assets. These mispostings resulted in several audit reclassifications.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Officials Response: The Township will monitor the posting of receipts and expenditures.



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

LICKING 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 22, 2008**