

**PERRY TOWNSHIP  
LICKING COUNTY**

**REGULAR AUDIT**

**JANUARY 1, 2014 – DECEMBER 31, 2015**







# Dave Yost • Auditor of State

Board of Trustees  
Perry Township  
6870 Licking Valley Road NE  
Frazeyburg, OH 43822

We have reviewed the *Independent Auditor's Report* of Perry Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Perry Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 15, 2016

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**PERRY TOWNSHIP  
LICKING COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Perry Township  
Licking County  
6870 Licking Valley Road NE  
Frazeyburg, Ohio 43822

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Perry Township, Licking County, (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
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Perry Township  
Licking County  
Independent Auditor's Report

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Perry Township, Licking County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, the Township failed to properly make adjustments required in the previous audit. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

June 30, 2016  
Newark, Ohio

**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, 2015**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
<b>Cash Receipts:</b>				
Local Taxes	\$ 69,957	\$ 90,182	\$ -	\$ 160,139
Intergovernmental	38,149	113,840	-	151,989
Licenses, Permits, and Fees	4,400	-	-	4,400
Earnings on Investments	185	81	-	266
Other Revenue	2,068	3,375	-	5,443
	<u>114,759</u>	<u>207,478</u>	<u>-</u>	<u>322,237</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	59,481	17,738	-	77,219
Public Safety	-	62,445	-	62,445
Public Works	36,978	103,685	-	140,663
Health	3,378	36	-	3,414
Debt Service:				
Redemption of Principal	-	15,727	-	15,727
Interest and Fiscal Charges	-	2,328	-	2,328
	<u>99,837</u>	<u>201,959</u>	<u>-</u>	<u>301,796</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over Disbursements</b>	<u>14,922</u>	<u>5,519</u>	<u>-</u>	<u>20,441</u>
Fund Cash Balances, January 1	<u>21,437</u>	<u>102,916</u>	<u>2,843</u>	<u>127,196</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 36,359</b></u>	<u><b>\$ 108,435</b></u>	<u><b>\$ 2,843</b></u>	<u><b>\$ 147,637</b></u>
<b>Fund Cash Balance, December 31</b>				
Nonspendable	\$ -	\$ -	\$ 2,500	\$ 2,500
Restricted	-	108,435	343	108,778
Assigned	74,384	-	-	74,384
Unassigned (Deficit)	(38,025)	-	-	(38,025)
<b>Fund Cash Balance, December 31</b>	<u><b>\$ 36,359</b></u>	<u><b>\$ 108,435</b></u>	<u><b>\$ 2,843</b></u>	<u><b>\$ 147,637</b></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, 2014**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
<b>Cash Receipts:</b>				
Local Taxes	\$ 66,351	\$ 89,702	\$ -	\$ 156,053
Intergovernmental	25,808	112,435	-	138,243
Licenses, Permits, and Fees	6,000	-	-	6,000
Earnings on Investments	157	104	-	261
Other Revenue	506	2,200	-	2,706
	98,822	204,441	-	303,263
<b>Cash Disbursements:</b>				
Current:				
General Government	106,473	29,401	-	135,874
Public Safety	-	62,132	-	62,132
Public Works	-	76,451	-	76,451
Health	4,817	72	-	4,889
Debt Service:				
Redemption of Principal	-	9,105	-	9,105
Interest and Fiscal Charges	-	775	-	775
Capital Outlay	-	64,980	-	64,980
	111,290	242,916	-	354,206
Total Receipts Over (Under) Disbursements	(12,468)	(38,475)	-	(50,943)
<b>Other Financing Receipts:</b>				
Sale of Bonds	-	45,000	-	45,000
Other Financing Sources	-	847	-	847
	-	45,847	-	45,847
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(12,468)	7,372	-	(5,096)
Fund Cash Balances, January 1 - Restated	33,905	95,544	2,843	132,292
<b>Fund Cash Balances, December 31</b>	<b>\$ 21,437</b>	<b>\$ 102,916</b>	<b>\$ 2,843</b>	<b>\$ 127,196</b>
<b>Fund Cash Balance, December 31</b>				
Nonspendable	\$ -	\$ -	\$ 2,500	\$ 2,500
Restricted	-	102,916	343	103,259
Assigned	18,500	-	-	18,500
Unassigned	2,937	-	-	2,937
<b>Fund Cash Balance, December 31</b>	<b>\$ 21,437</b>	<b>\$ 102,916</b>	<b>\$ 2,843</b>	<b>\$ 127,196</b>

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

**PERRY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 and cemetery maintenance. Fire and ambulance services are provided by the Hanover Volunteer Fire Department. Police protection is provided by the Licking County Sheriff.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 Ohio governments ("Members"). Note 7 to the financial statements provide additional information for the Township.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits 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, 2015 AND 2014  
(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 from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

Fire Operation Fund - This fund receives taxes and intergovernmental money for the purpose of providing fire and emergency ambulance protection as contracted with the Hanover Volunteer Fire Department.

**3. 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 Permanent Fund:

Cemetery Endowment 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.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**PERRY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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. The Township did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 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.

**H. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**PERRY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fund Balance (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2015</u>	<u>2014</u>
Demand deposits	\$145,137	\$124,696
Certificates of Deposit	<u>2,500</u>	<u>2,500</u>
Total deposits	<u><u>\$147,637</u></u>	<u><u>\$127,196</u></u>

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

**PERRY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,100	\$114,759	\$21,659
Special Revenue	135,280	207,478	72,198
Permanent	20	0	(20)
Total	\$228,400	\$322,237	\$93,837

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,600	\$100,002	\$11,598
Special Revenue	225,750	204,755	20,995
Permanent	20	0	20
Total	\$337,370	\$304,757	\$32,613

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,139	\$98,822	\$7,683
Special Revenue	238,050	250,288	12,238
Permanent	20	0	(20)
Total	\$329,209	\$349,110	\$19,901

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,947	\$111,290	(\$35,343)
Special Revenue	302,266	242,916	59,350
Permanent	50	0	50
Total	\$378,263	\$354,206	\$24,057

The Township had expenditures exceeding appropriations contrary to Ohio Revised Code Section 5705.41(B) in the General Fund for 2014.

**PERRY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**4. PROPERTY TAX**

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

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Township Equipment Bonds	\$3,954	3.50%
Road Equipment Bonds	3,572	3.51%
Real Estate Acquisition Bonds	36,777	3.50%
Total	\$44,303	

General obligation bonds were issued to finance the purchase of a 1990 Ford Truck, a 2002 Dump Truck for Township road maintenance and also the purchase of land to construct a new fire station. The Township's taxing authority collateralized the bonds and lease. Amortization of the above debt, including interest, is scheduled as follows:

	Township Equipment Bonds	Road Equipment Bonds	Real Estate Acquisition Bonds
Year ending December 31:			
2016	\$4,095	\$3,697	\$10,025
2017	0	0	10,025
2018	0	0	10,025
2019	0	0	10,025
Total	\$4,095	\$3,697	\$40,100

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, the Township participants and the Township contributed the following percentages based on their gross salaries:

Retirement Rates	Year	Member Rate	Employer Rate
OPERS – Local	2008-2015	10%	14%

The Township has paid all contributions required through December 31, 2015.

**PERRY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**7. RISK MANAGEMENT**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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 years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



**PERRY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**8. RESTATEMENT OF FUND BALANCES**

The Township inadvertently reversed the prior year audit adjustments posted to the accounting system as a result of the prior year audit. This had the following affect on fund balances as previously reported:

<u>Fund</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Cash Balances (Deficit) at December 31, 2013	(\$4,285)	\$133,734
Prior Audit Adjustments	38,190	(38,190)
Restated Cash Balances at December 31, 2013	<u>\$33,905</u>	<u>\$95,544</u>



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

Perry Township  
Licking County  
6870 Licking Valley Road NE  
Frazeesburg, Ohio 43822

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Perry Township, Licking County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 30, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, the Township restated beginning balances as disclosed in Note 8.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
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***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-002 and 2015-003.

***Township's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilson, Shuman & Snow, Inc.*

June 30, 2016  
Newark, Ohio

**PERRY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2015-001
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**Accounting and Financial Reporting - Material Weakness**

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. Based on our audit we noted the following reclassifications and adjustments which were necessary to properly present the Township's financial statements as presented for audit:

<b>December 31, 2015</b>
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- Audit reclassifications of \$5,295 and \$6,783 were necessary for the General and Special Revenue Funds, respectively, to properly present rollback and homestead as intergovernmental receipts contrary to real estate taxes as recorded by the Township.
- Audit reclassifications of \$8,580 and \$1,682 were necessary within the Special Revenue Fund to properly present debt service principal and interest payments.
- An audit reclassification of \$2,500 was necessary to properly present the trust corpus as nonspendable fund balance contrary to restricted fund balance as presented in the Permanent Fund. An audit reclassification was also necessary to report \$74,384 as assigned fund balance for subsequent year appropriations.

<b>December 31, 2014</b>
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- Audit reclassifications of \$5,106 and \$6,738 were necessary for the General and Special Revenue Funds, respectively, to properly present rollback and homestead as intergovernmental receipts contrary to real estate taxes as recorded by the Township.
- Audit reclassifications of \$1,686 and \$401 were necessary within the Special Revenue Fund to properly present debt service principal and interest payments.
- Audit adjustments associated with failing to properly allocate Township Trustees salaries in accordance with Ohio Revised Code Section 505.24(C), as approved by the Township and reflected within ending fund balances at December 31, 2013, were recorded and then inadvertently reversed during the audit period. Therefore, these audit adjustments totaling \$38,190 against the General Fund in favor of the Special Revenue Fund were agreed upon by the Township and reflected within the accompanying financial statements.
- An audit reclassification of \$2,500 was necessary to properly present the trust corpus as nonspendable fund balance contrary to restricted fund balance as presented in the Permanent Fund. An audit reclassification was also necessary to report \$18,500 as assigned fund balance for subsequent year appropriations.

We recommend the Township develop consistent procedures to record financial activity within its accounting ledgers and review the financial statements as presented for audit.

**Officials Response:** The Township will review the Uniform Accounting Network manual as well as the Ohio Township Handbook specific to revenue and expenditure codes for posting transactions.

**PERRY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2015-002
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**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a Fiscal Officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate - If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – The Fiscal Officer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

10 of 30 expenditures tested, or 33% of the transactions tested for the audit period were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

**Official’s Response:** The Township will implement procedures to properly certify expenditures.

**PERRY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

Finding Number	2015-003
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**Noncompliance Citation**

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, 2014:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
General Fund – Trustees – Salaries	\$45,363	\$7,173	(\$38,190)

This is a direct result of the Township recording prior year audit adjustments as reflected in the 2014 financial statements as identified in Finding Number 2015-001.

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.

**Officials Response:** The Township will develop procedures to ensure expenditures do not exceed appropriations.

**PERRY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-01	Ohio Administrative Code Section 117-2-02(A), Ohio Revised Code Section 5705.36(A)(3), and Ohio Revised Code Section 5705.40.	Yes	NA.
2013-02	Ohio Revised Code Section 505.24(C).	Yes	This matter has been corrected by the Township as the respective audit adjustments have been recorded and reflected in the 2014 financial statements.
2013-03	Ohio Revised Code Section 5705.41(B).	No	Re-issued as Finding Number 2015-003.
2013-04	Ohio Revised Code Section 5705.39.	Yes	NA.
2013-05	Ohio Revised Code Section 5705.10(H).	Yes	NA.
2013-06	Accounting and Financing Reporting.	No	Re-issued as Finding Number 2015-001.

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# Dave Yost • 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 26, 2016**