



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Perry Township
Columbiana County
P.O. Box 795
Salem, Ohio 44460

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Columbiana County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As 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, 2001 and 2000, 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 July 19, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Perry Township
Columbiana County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, the Board 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". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

July 19, 2002

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$49,561	\$513,424	\$562,985
Intergovernmental	120,123	121,313	241,436
Special Assessments		2,488	2,488
Licenses, Permits, and Fees	92	5,707	5,799
Fines, Forfeitures, and Penalties	37,814	2,082	39,896
Earnings on Investments	50,797	7,500	58,297
Other Revenue	12,815	12,652	25,467
	<u>271,202</u>	<u>665,166</u>	<u>936,368</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	198,375	5,935	204,310
Public Safety		290,116	290,116
Public Works		329,614	329,614
Capital Outlay	716	98,944	99,660
	<u>199,091</u>	<u>724,609</u>	<u>923,700</u>
Total Cash Disbursements			
	<u>199,091</u>	<u>724,609</u>	<u>923,700</u>
Total Receipts Over/(Under) Disbursements	<u>72,111</u>	<u>(59,443)</u>	<u>12,668</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	72,111	(59,443)	12,668
Fund Cash Balances, January 1	<u>341,990</u>	<u>993,244</u>	<u>1,335,234</u>
Fund Cash Balances, December 31	<u>\$414,101</u>	<u>\$933,801</u>	<u>\$1,347,902</u>
Reserve for Encumbrances, December 31	<u>\$481</u>	<u>\$14,402</u>	<u>\$14,883</u>

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

PERRY TOWNSHIP
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	Fiduciary Fund
	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$600
Total Non-Operating Cash Receipts	600
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	300
Total Non-Operating Cash Disbursements	300
Net Receipts Over/(Under) Disbursements	300
Fund Cash Balances, January 1	10,694
Fund Cash Balances, December 31	\$10,994

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

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$50,192	\$552,025		\$602,217
Intergovernmental	126,651	120,126	\$110,619	357,396
Special Assessments		2,546		2,546
Licenses, Permits, and Fees	218	11,107		11,325
Fines, Forfeitures, and Penalties	38,959	1,462		40,421
Earnings on Investments	47,892	11,388		59,280
Other Revenue	10,456	16,485		26,941
	<u>274,368</u>	<u>715,139</u>	<u>110,619</u>	<u>1,100,126</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	215,632	6,200		221,832
Public Safety		297,569		297,569
Public Works		277,386		277,386
Capital Outlay	31,875	62,330	110,619	204,824
	<u>247,507</u>	<u>643,485</u>	<u>110,619</u>	<u>1,001,611</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>26,861</u>	<u>71,654</u>		<u>98,515</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	26,861	71,654		98,515
Fund Cash Balances, January 1	<u>315,129</u>	<u>921,590</u>		<u>1,236,719</u>
Fund Cash Balances, December 31	<u>\$341,990</u>	<u>\$993,244</u>		<u>\$1,335,234</u>
Reserve for Encumbrances, December 31	<u>\$3,188</u>	<u>\$39,491</u>		<u>\$42,679</u>

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

PERRY TOWNSHIP
COLUMBIANA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	Fiduciary Fund
	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$828
Total Non-Operating Cash Receipts	828
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	378
Total Non-Operating Cash Disbursements	378
Net Receipts Over/(Under) Disbursements	450
Fund Cash Balances, January 1	10,244
Fund Cash Balances, December 31	\$10,694

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

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Perry Township, Columbiana 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 road and bridge maintenance, police and fire 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit 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:

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Police District Fund - This fund's receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing police protection for the residents of the Township.

2. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Public Works Commission Project Fund - The Township was part of a multi-highway paving project for which the Township received a grant from the State of Ohio.

3. Fiduciary Fund (Agency Fund)

This fund is used to account for resources for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Culvert Deposits - The Township collects deposits for culverts in new building construction within the Township. The deposits are refunded after the culverts pass zoning inspection.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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.

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:

	2001	2000
Demand deposits	\$359,323	\$291,266
Certificates of deposit	999,573	1,054,662
Total deposits	1,358,896	1,345,928

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$243,730	\$271,202	\$27,472
Special Revenue	681,354	665,166	(16,188)
Agency	1,309	600	(709)
Total	\$926,393	\$936,968	\$10,575

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$245,313	\$199,572	\$45,741
Special Revenue	812,116	739,011	73,105
Agency	2,000	300	1,700
Total	\$1,059,429	\$938,883	\$120,546

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,840	\$274,368	\$54,528
Special Revenue	716,239	715,139	(1,100)
Capital Projects		110,619	110,619
Agency	1,800	828	(972)
Total	\$937,879	\$1,100,954	\$163,075

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$304,810	\$250,695	\$54,115
Special Revenue	750,585	682,976	67,609
Capital Projects		110,619	(110,619)
Agency	2,000	378	1,622
Total	\$1,057,395	\$1,044,668	\$12,727

Contrary to Ohio Revised Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the Road and Bridge Fund by \$82,206 for the year ended December 31, 2000. Furthermore, contrary to Ohio Revised Code § 5705.41(D), the Township entered into obligations prior to the certification of the Clerk-Treasurer for several expenditures.

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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEMS

Employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2001 and 2000, members of PERS, except full-time police officers, contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. Full-time police officers contributed 9% of their gross salaries for 2000 and 10.10% of their gross salaries for 2001. The Township contributed an amount equal to 16.7% of these members gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% and 14.7% for full-time police officers, respectively, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



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
Columbiana County
P.O. Box 795
Salem, Ohio 44460

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Columbiana County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-41215-001 through 2001-41215-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 July 19, 2002.

This report is intended solely 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". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

July 19, 2002

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-41215-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) provides in part that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Trustees, if such expenditure is otherwise valid.

The obligation date preceded the date of certification of the Clerk-Treasurer in twenty-two percent of disbursements tested to determine the Township's compliance with this provision, and there was no evidence of a "then and now" certificate being issued for these commitments. Incurring obligations prior to the fiscal officer's certification of the availability of funds for such obligations could result in the Township expending more than was appropriated and/or available.

The Township should obtain the certification of the fiscal officer and encumber funds prior to commitment. This will help to ensure the Township does not expend more than was appropriated and/or available and maintain the Townships Compliance to this provision.

FINDING NUMBER 2001-41215-002

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The following fund had disbursements and encumbrances exceeding appropriations and prior year carryover appropriations for the year ended December 31, 2000 in the following fund:

	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
Road and Bridge	\$223,524	\$305,730	\$(82,206)

FINDING NUMBER 2001-41215-002
(Continued)

This situation could lead to monies being disbursed contrary to the intentions of the Board of Trustees.

The Clerk-Treasurer should deny payment requests exceeding appropriations. The Clerk-Treasurer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PERRY TOWNSHIP
COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 3, 2002**