

**PERRY TOWNSHIP**

DAYTON REGION, MONTGOMERY COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Perry Township  
3025 Johnsville-Brookville Road  
Brookville, Ohio 45309

We have reviewed the *Independent Auditors' Report* of Perry Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 2, 2009

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**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

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**MANNING & ASSOCIATES CPAS, LLC  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414**

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Perry Township  
Montgomery County  
3025 Johnsville-Brookville Road  
Brookville, Ohio 45309

We have audited the accompanying financial statements of Perry Township, Montgomery County, (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audits provide 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 the new 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, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

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

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determines is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 8, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 8, 2009

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**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

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

	<b>GOVERNMENTAL FUND TYPES</b>			<b>Total</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 32,420	\$ 667,366	\$ 0	\$ 699,786
Changes for Services	0	218,144	0	218,144
Licenses, Permits and Fees	7,131	18,657	0	25,788
Fines and Forfeitures	3,419	504	0	3,923
Intergovernmental Receipts	89,094	272,175	226,923	588,192
Special Assessments	0	924	0	924
Earnings on Investments	1,347	694	0	2,041
Miscellaneous	11,616	39,470	0	51,086
<b>Total Cash Receipts</b>	<b>145,027</b>	<b>1,217,934</b>	<b>226,923</b>	<b>1,589,884</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	188,729	0	0	188,729
Public Safety	0	734,180	0	734,180
Public Works	0	478,104	0	478,104
Health	0	18,632	0	18,632
Capital Outlay	0	57,057	226,923	283,980
<b>Total Cash Disbursements</b>	<b>188,729</b>	<b>1,287,973</b>	<b>226,923</b>	<b>1,703,625</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(43,702)</b>	<b>(70,039)</b>	<b>0</b>	<b>(113,741)</b>
<b>Other Financing Receipts/Disbursements</b>				
Advances-In	197,774	161,255	0	359,029
Advances-Out	(161,255)	(197,774)	0	(359,029)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>36,519</b>	<b>(36,519)</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(7,183)</b>	<b>(106,558)</b>	<b>0</b>	<b>(113,741)</b>
<b>Fund Cash Balances, January 1</b>	<b>21,760</b>	<b>350,511</b>	<b>0</b>	<b>372,271</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 14,577</b>	<b>\$ 243,953</b>	<b>\$ 0</b>	<b>\$ 258,530</b>
<b>Reserve for Encumbrances</b>	<b>\$ 433</b>	<b>\$ 4,359</b>	<b>\$ 0</b>	<b>\$ 4,792</b>

The Notes to the Financial Statements are an integral part of this statement.

**PERRY TOWNSHIP  
MONTGOMERY 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

	<b>GOVERNMENTAL FUND TYPES</b>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 32,090	\$ 740,905	\$ 772,995
Changes for Services	0	197,648	197,648
Licenses, Permits and Fees	8,482	6,838	15,320
Fines and Forfeitures	4,099	1,779	5,878
Intergovernmental Receipts	119,329	171,373	290,702
Special Assessments	0	885	885
Earnings on Investments	8,268	3,700	11,968
Miscellaneous	11,006	70,569	81,575
<b>Total Cash Receipts</b>	<u>183,274</u>	<u>1,193,697</u>	<u>1,376,971</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	174,618	0	174,618
Public Safety	0	711,270	711,270
Public Works	0	412,233	412,233
Health	0	21,618	21,618
Capital Outlay	0	49,828	49,828
<b>Total Cash Disbursements</b>	<u>174,618</u>	<u>1,194,949</u>	<u>1,369,567</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>8,656</u>	<u>(1,252)</u>	<u>7,404</u>
<b>Other Financing Receipts/Disbursements</b>			
Advances-In	13,000	29,600	42,600
Advances-Out	(29,600)	(13,000)	(42,600)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(16,600)</u>	<u>16,600</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(7,944)</u>	<u>15,348</u>	<u>7,404</u>
<b>Fund Cash Balances, January 1</b>	<u>29,704</u>	<u>335,163</u>	<u>364,867</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 21,760</u>	<u>\$ 350,511</u>	<u>\$ 372,271</u>
<b>Reserve for Encumbrances</b>	<u>\$ 849</u>	<u>\$ 7,818</u>	<u>\$ 8,667</u>

The Notes to the Financial Statements are an integral part of this statement.

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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**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 of Montgomery 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, zoning, cemetery maintenance, refuse collection, emergency medical services, fire protection, and police services. The Township contracts with the Township of New Lebanon and the City of Brookville to provide fire protection and ambulance services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

Investments in STAR Ohio are recorded at share values reported by the mutual funds.

**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:

**General Fund:**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

**D. Fund Accounting (Continued)**

**Special Revenue Funds:**

These funds 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 for constructing, maintaining and repairing Township roads and bridges.

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

**Garbage and Waste Fund** – This fund assesses and collects fees for waste collection in the Township.

**Police District Fund** – This fund receives property tax money to provide police service to the Township.

**Fire District Fund** – This fund receives property tax money to provide fire and ambulance services to the Township.

**Capital Projects Funds:**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Township had the following significant capital project funds:

**Issue II** – This fund receives loan and grant proceeds from the Ohio Public Works Commission for major construction or improvements to Township roads.

**E. Budgetary Process**

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

**Appropriations**

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

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINACIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

**E. Budgetary Process (Continued)**

**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.

**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.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 228,981	\$ 343,460
STAR Ohio	29,549	28,811
Total deposits and investments	<u>\$ 258,530</u>	<u>\$ 372,271</u>

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

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

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2008 was as follows:

**2008 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 143,643	\$ 145,027	\$ 1,384
Special Revenue	1,235,225	1,217,934	(17,291)
Capital Projects	256,000	226,923	(29,077)
Total	<u>\$ 1,634,868</u>	<u>\$ 1,589,884</u>	<u>\$ (44,984)</u>

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 191,351	\$ 189,162	\$ 2,189
Special Revenue	1,537,371	1,292,332	245,039
Capital Projects	256,000	226,923	29,077
Total	<u>\$ 1,984,722</u>	<u>\$ 1,708,417</u>	<u>\$ 276,305</u>

Budgetary activity for the year ending December 31, 2007 was as follows:

**2007 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 146,326	\$ 183,274	\$ 36,948
Special Revenue	1,127,046	1,193,697	66,651
Total	<u>\$ 1,273,372</u>	<u>\$ 1,376,971</u>	<u>\$ 103,599</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 156,092	\$ 175,467	\$ (19,375)
Special Revenue	1,429,497	1,202,767	226,730
Total	<u>\$ 1,585,589</u>	<u>\$ 1,378,234</u>	<u>\$ 207,355</u>

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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**4. BUDGETARY COMPLIANCE**

Contrary to Ohio Law ORC Section 5705.336, states that all subdivisions are to request a reduced amended certificate upon determination that revenue collected will be less than the amount of the official certificate of estimated resources. The Township had estimated receipts in excess of actual in 2008 in the motor vehicle license, road & bridge, police district, drug law enforcement, and issue II funds by \$1,109, \$44,738, \$6,891, \$375, and \$29,077, respectively; and in 2007 for the road & bridge fund by \$48,205.

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall expend money unless it has been appropriated. Contrary to this law, in 2007, expenditures exceeded appropriations in the general, police district, fire district, drug law enforcement, and criminal justice grant by \$18,526, \$31,138, \$11,618, \$546, and \$26,408, respectively.

Ohio Rev. Code Section 5705.39. states that total appropriations from each fund shall not exceed the total estimated revenue available there from. Contrary to law, appropriations exceeded available revenue in 2008 in the general, garbage, fire district, drug enforcement, and law enforcement funds by \$26,797, \$4,925, \$22,065, \$595, \$2,000, respectively.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. 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 pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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**6. LEASE**

The Township leases two police vehicles under a noncancelable lease that is classified as a capital lease that expires in 2009.

Future lease payments for the above leases are as follows:

Year Ending December 31:	Amount
<u>2009</u>	<u>\$15,756</u>
Total Minimum Lease Payments	\$15,756
Less amount representing interest	<u>1,017</u>
Present value of minimum lease payments	<u>\$14,739</u>

**7. RETIREMENT SYSTEM**

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 2008 and 2007, OPERS members contributed 10 percent and 9.5 percent, respectively, of their gross salaries and the Township contributed an amount equaling 14 percent and 13.85 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses and injuries to employees. The Township insures against injuries through the Ohio Bureau of Worker's Compensation. 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 Entities Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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8. **RISK MANAGEMENT** (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained Earnings	<u>\$ 29,852,866</u>	<u>\$ 29,921,614</u>

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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**8. RISK MANAGEMENT** (Continued)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when related claims are due for payment.

The Township's share of these unpaid claims collectible in future years is approximately \$6,381. This payable includes the subsequent year's contribution due if the Township terminates participation as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the past three years are as follows:

<u>Contributions to OTARMA</u>	
2008	\$19,143
2007	\$17,666
2006	\$17,981

After completing one year of membership, member may withdraw on each anniversary of the date they joined OTARMA provided the give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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**MANNING & ASSOCIATES CPAS, LLC  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414**

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

Board of Trustees  
Perry Township  
3025 Johnsville-Brookville Road  
Brookville, Ohio 45309

We have audited the accompanying financial statements of Perry Township, Montgomery County (the Township), as of and for the years ended December 31, 2008, and 2007, and have issued our report thereon dated July 8, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to be 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 a significant deficiencies in internal control over financial reporting 2008-005 through 2008-008.

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, we believe the significant deficiencies described above as findings 2008-005 through 2008-008 are also material weaknesses.

### **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 grants 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 that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-004 and 2008-006.

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 is intended solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 8, 2009

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Ohio Rev. Code Section 5705.41 (D)** 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 or expenditures by the Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current 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 one 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 one line item appropriation.

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**, continued

Unless the exception noted above is 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 Township’s Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, and the purchase qualifies, “then and now” certification should be used.

The Township did not properly certify the availability of funds prior to purchase commitment for 28 and 22 expenditures tested during 2008 and 2007, respectively. In 2007, 5 “Then and Now” purchase orders issued in for amounts over the \$3,000 limitation imposed by the Ohio Revised Code. It was also noted that there is no resolution establishing an amount for blanket purchase orders.

Response: The Fiscal Officer will review the proper use of purchase orders.

**FINDING NUMBER 2008-02**

**Ohio Rev. Code Section 5705.39** states that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds had appropriations in excess of the amounts certified as available by the Amended Certificate of Estimated Resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<b>2008</b>			
General	\$ 164,554	\$ 191,351	\$ (26,797)
Garbage/Trash	295,328	300,253	(4,925)
Fire District	232,008	254,073	(22,065)
Drug Enforcement Trust	1,035	1,630	(595)
Law Enforcement Trust	56,552	58,552	(2,000)

To comply with this section and improve budgetary controls the Township should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

Response: The Township will monitor budgetary compliance more closely in the future.

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

**FINDING NUMBER 2008-003**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall expend money unless it has been appropriated. In 2007, the Township had instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

Fund	Appropriations	Expenditures	Variance
<b>2007</b>			
General	\$ 156,092	\$ 174,618	\$ (18,526)
Police Department	413,216	444,354	(31,138)
Fire District	226,841	238,459	(11,618)
Drug Law Enforcement	3,198	3,744	(546)
Criminal Justice Grant	20,000	46,408	(26,408)

The Township should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Township expends or certifies as available more resources than were legally appropriated by the Board of Trustees.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future.

**FINDING NUMBER 2008-004**

**Ohio Rev. Code, Section 5705.36**, requires all subdivisions to request reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The intent of this requirement is to require the Fiscal Officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. Actual receipts for both years of the audit period were below estimated receipts in the following funds:

Fund	Estimated Receipts	Actual Receipts	Variance
<b>2008</b>			
Motor Vehicle License	\$ 8,100	\$ 6,991	\$ (1,109)
Road and Bridge	140,600	95,862	(44,738)
Police Department	472,015	465,124	(6,891)
Drug Law Enforcement	1,000	625	(375)
OPWC Issue II	256,000	226,923	(29,077)
<b>2007</b>			
Road and Bridge	139,767	91,562	(48,205)

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-004**, continued

Additionally, budgetary information presented on the Township's Annual Report did not agree with the information filed with the County Auditor in both 2008 and 2007. Failure to record and report the budgetary data accurately presents an inaccurate comparison of the budgetary activity and can mislead those using the annual financial report.

Failure to monitor estimated resources and provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position and could result in overspending. Failure to accurately prepare and reconcile the accounting records reduces the Trustees ability to monitor financial activity, increases the likelihood that monies will be misappropriated and go detected and increases the likelihood that the Township's financial statements will be misstated.

Response: The Trustees and Fiscal Officer recognize the importance of budgetary law and plan to monitor budgetary receipts more closely in the future.

**FINDING NUMBER 2008-005**

**Significant Deficiency/Material Weakness**

**Township Books and Records**

**Ohio Admin Code Section 117-2** provides that the Fiscal Officer shall keep the books of the Township; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The following items were noted:

- Prior audit adjustments were not made by the Township
- Adjustments were required for both 2008 and 2007 for the following mispostings:
  - Utility payments did not reflect proper cutoff at year end 2006 and 2007, therefore Utility receipts reflected in 2007 included December 2006 (adjusted prior audit) and 2008 receipts included December, 2007 receipts
- Budgetary information reported on the annual report did not match what was filed with the County Auditor
- 941 totals did not agree with W-3 totals in either year
- IRS notices were received for reports which were not filed
- Notices received for untimely OPERS remittances and payments
- Minutes were not signed by the Fiscal Officer or Trustees during 2007
- In 2008, on behalf payments from Ohio Public Works in the amount of \$226,923 was not reflected on the Townships books

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-005**, continued

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. All of these conditions reveal a lack of control over and monitoring of the recording and reporting of the Township's financial activity and resulted in inaccurate accounting records. Late payment of Township bills, late submittal of required reports to governmental agencies and an overdrawn checking account all of which resulted in the Township incurring unnecessary charges and penalties is a misuse of Township funds. The financial statements and Township's records have been adjusted to reflect the above adjustments.

Response: The Fiscal Officer and Trustees will review each issue outlined above individually and will take responsibility to rectify the problems. Changes have been implemented with the term of new Fiscal Officer.

**FINDING NUMBER 2008-006**

**Significant Deficiency/Material Weakness**

**Ohio Rev. Code Section 9.38** states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the receipt. If the amount of the daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, if properly secured, but the deposit must be made no later than 3 business days after receiving it.

To reduce the risk of misappropriation of township assets and to comply with the abovementioned section of code, all cash collections should be deposited within the 24 hour requirement or a policy be adopted by the Board of Trustees that permits the officials to hold any money under the \$1,000 threshold for no more than 3 business days, if properly secured. Additionally, procedures should be implemented to provide that the Fiscal Officer deposit all receipts to the bank in a timely and complete manner.

During 2007, the audit period deposits were made every few weeks, rather than as receipts were received. Some receipts tested were noted as not being deposited for over one month after their issue date.

Response: The Township has implemented deposit procedures to make deposits in a timely manner in accordance with the Ohio Revised Code Section referenced above.

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-007**

**Significant Deficiency/Material Weakness**

**Garbage/Trash Income**

Certain deficiencies were noted in recognizing garbage/trash revenue which leads to the financial statements charges for services line item as well as beginning and ending fund cash balances to be understated.

The Township did not recognize garbage/trash receipts for proper year end cutoff. Garbage/Trash was deposited into a separate bank account during 2007 and part of 2008. The Fiscal Officer did not recognize the deposits into this account as income. Garbage/Trash income was recognized when money was transferred from this account to general checking account which understated/overstated income for 2007 and 2008.

The accompanying financial statements reflect adjustments to properly record garbage/trash in the correct reporting year.

The Township has implemented changes in this procedure, and has closed the account so all deposits are now reflected in the general checking account.

Response: The Trustees and Fiscal Officer implemented changes when this was brought to their attention by the new Fiscal Officer during 2008.

**FINDING NUMBER 2008-008**

**Significant Deficiency/Material Weakness**

**On behalf payments**

The Township did not record on-behalf payments made to contractors for the Ohio Public Works Issue II Grant in 2008 in the amount of \$226,923. The Township for the purpose of accounting for these on-behalf payments should record these monies in the appropriate fund established; also such monies should be budgeted by the Township. By not recording the receipts and disbursements, the Township's financial statements result in an understatement of financial benefit provided by the grant. The accompanying financial statement has been adjusted to reflect this activity.

We recommend the Township record future payments made by the grant as receipts and disbursements within the appropriate fund.

Response: The Township will review AOS Bulletin 2000-008, and record on behalf payments as directed.

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <b>Explain</b>
2006-001	ORC Sec. 5705.41(D) Purchase Orders not approved prior to the incurrence of all expenses	No	Reissued as Finding Number 2008-001
2006-002	ORC 5705.39 - Appropriations exceeded estimated resources in various funds	No	Reissued as Finding Number 2008-002
2006-003	ORC 5705.41 (B) - Expenses exceeded appropriations in various funds	No	Reissued as Finding Number 2008-003
2006-004	Revenues posted more than one month after receipt	Yes	
2006-005	Failure to timely and accurately complete monthly bank reconciliations, Utility account not reconciled in UAN and not included in cash balances	Yes	
2006-006	Original documentation not retained for all expenses incurred by the Township	Yes	



Mary Taylor, CPA  
Auditor of State

**PERRY TOWNSHIP**  
**MONTGOMERY 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 15, 2009**