



Mary Taylor, CPA
Auditor of State

**PERU TOWNSHIP
MORROW COUNTY**

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Mary Taylor, CPA
Auditor of State

Peru Township
Morrow County
3751 Peru Township Road 21
Marengo, Ohio 43334

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

May 29, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Peru Township
Morrow County
3751 Peru Township Road 21
Marengo, Ohio 43334

To the Broad of Trustees:

We have audited the accompanying financial statements of Peru Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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 May 29, 2010, 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 reserves for encumbrances of Peru Township, Morrow County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

May 29, 2010

**PERU TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$67,042.43	\$0.00	\$67,042.43
Intergovernmental	14,153.42	92,447.53	106,600.95
Earnings on Investments	172.12	10.46	182.58
Miscellaneous	1,423.64	0.00	1,423.64
	<u>82,791.61</u>	<u>92,457.99</u>	<u>175,249.60</u>
Cash Disbursements:			
Current:			
General Government	36,399.08	890.50	37,289.58
Public Works	9.49	66,036.24	66,045.73
Health	11,776.74	0.00	11,776.74
Capital Outlay	4,448.93	4,015.84	8,464.77
Debt Service:			
Redemption of Principal	3,478.75	2,121.00	5,599.75
Interest and Other Fiscal Charges	6,022.00	4,116.00	10,138.00
	<u>62,134.99</u>	<u>77,179.58</u>	<u>139,314.57</u>
Total Cash Disbursements	<u>62,134.99</u>	<u>77,179.58</u>	<u>139,314.57</u>
Total Receipts Over Disbursements	<u>20,656.62</u>	<u>15,278.41</u>	<u>35,935.03</u>
Other Financing Receipts/(Disbursements):			
Other Financing Sources	241.00	0.00	241.00
Other Financing Uses	(42.82)	0.00	(42.82)
	<u>198.18</u>	<u>0.00</u>	<u>198.18</u>
Total Other Financing Receipts	<u>198.18</u>	<u>0.00</u>	<u>198.18</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	20,854.80	15,278.41	36,133.21
Fund Cash Balances, January 1	<u>26,215.96</u>	<u>5,031.20</u>	<u>31,247.16</u>
Fund Cash Balances, December 31	<u><u>\$47,070.76</u></u>	<u><u>\$20,309.61</u></u>	<u><u>\$67,380.37</u></u>

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

**PERU TOWNSHIP
MORROW 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**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$63,043.13	\$0.00	\$63,043.13
Intergovernmental	20,340.17	95,733.32	116,073.49
Earnings on Investments	772.79	340.43	1,113.22
Miscellaneous	527.04	0.00	527.04
	<u>84,683.13</u>	<u>96,073.75</u>	<u>180,756.88</u>
Cash Disbursements:			
Current:			
General Government	67,558.33	14,786.94	82,345.27
Public Works	3,874.51	117,815.96	121,690.47
Health	7,082.27	0.00	7,082.27
Capital Outlay	1,762.29	0.00	1,762.29
Debt Service:			
Redemption of Principal	4,321.58	1,322.00	5,643.58
Interest and Other Fiscal Charges	7,812.00	2,578.00	10,390.00
	<u>92,410.98</u>	<u>136,502.90</u>	<u>228,913.88</u>
Total Receipts (Under) Disbursements	<u>(7,727.85)</u>	<u>(40,429.15)</u>	<u>(48,157.00)</u>
Other Financing Receipts:			
Other Financing Sources	<u>2,875.33</u>	<u>0.00</u>	<u>2,875.33</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(4,852.52)	(40,429.15)	(45,281.67)
Fund Cash Balances, January 1	<u>31,068.48</u>	<u>45,460.35</u>	<u>76,528.83</u>
Fund Cash Balances, December 31	<u><u>\$26,215.96</u></u>	<u><u>\$5,031.20</u></u>	<u><u>\$31,247.16</u></u>
Reserve for Encumbrances, December 31	<u><u>\$153.75</u></u>	<u><u>\$136.97</u></u>	<u><u>\$290.72</u></u>

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

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 the Peru Township, Morrow County, Ohio, (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.

The Township participates in the Elm Valley Fire District, a jointly governed organization. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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 certificate 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.

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:

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

Motor Vehicle License Tax - This fund receives motor vehicle tax money for constructing, maintaining, and repairing Township roads.

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

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, 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.

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 canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 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.

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits and Investments

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:

	2009	2008
Demand deposits	\$42,380	\$6,247
Certificates of deposit	25,000	25,000
Total deposits and investments	\$67,380	\$31,247

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,152	\$83,033	(\$40,119)
Special Revenue	95,931	92,458	(3,473)
Total	\$219,083	\$175,491	(\$43,592)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,036	\$62,178	\$62,858
Special Revenue	115,375	77,180	38,195
Total	\$240,411	\$139,358	\$101,053

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,784	\$87,558	(\$24,226)
Special Revenue	89,810	96,074	6,264
Total	\$201,594	\$183,632	(\$17,962)

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,226	\$92,565	\$44,661
Special Revenue	115,375	136,640	(21,265)
Total	\$252,601	\$229,205	\$23,396

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.

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

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$165,456	5.92%

The Township issued general obligation bonds to finance the purchase of a township hall. The building is used for Township meetings and storage for vehicles during winter months. The Township's taxing authority collateralized the bonds.

**PERU TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (continued)

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

Year ending December 31:	General Obligation Bonds
2010	\$15,474
2011	15,474
2012	15,474
2013	15,474
2014	15,474
2015-2019	77,370
2020-2024	77,370
2025-2027	30,948
Total	<u>\$263,058</u>

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 plan benefits, which include post retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For both 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. Jointly Governed Organizations

Peru Township along with Westfield Township in Morrow County, Oxford Township in Delaware County, and the Village of Ashley appoint one member to the Board of Trustees of the Elm Valley Joint Fire District. The Joint Fire District provides fire protection and rescue services within the Townships and Village.

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Mary Taylor, CPA

Auditor of State

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

Peru Township
Morrow County
3751 Peru Township Road 21
Marengo, Ohio 43334

To the Board of Trustees:

We have audited the financial statements of Peru Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 29, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 29, 2010.

We intend this report solely for the information and use of management, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

May 29, 2010

**PERU TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Appropriations Exceed Official Estimated Resources

Ohio Rev. Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure as certified by the budget commission. As of December 31, 2009, the Township had appropriations exceeding estimated resources available for expenditure in the Gas Fund by \$15,621.

This could result in the Township expending more money than it receives and could cause possible negative fund balances and the Township being unable to meet its current obligations.

We recommend the Township Fiscal Officer ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

FINDING NUMBER 2009-002

Disbursement Exceed Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which Trustee approves the original appropriation measure, which is at the fund, function and object.

The following funds had expenditures that exceed appropriations in 2008:

Fund	Appropriation	Expenditures	Variance
Motor Vehicle License	\$7,891	\$10,619	\$2,638
Gas	\$107,394	\$126,021	\$18,627

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and may result in deficit spending

We recommend that the Fiscal officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**PERU TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial statement presentation	No	Reissued in Management letter
2007-002	Ohio Rev. Code Section 505.24(C) – Trustees salary	Yes	



Mary Taylor, CPA
Auditor of State

PERU TOWNSHIP

MORROW 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
AUGUST 24, 2010**