



**Auditor of State  
Betty Montgomery**



PERRY TOWNSHIP  
SHELBY COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Perry Township  
Shelby County  
6370 Jackson Road  
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Shelby County, (the Township) as of and for the years ended December 31, 2002 and 2001. 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, 2002 and 2001, 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 15, 2003, 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. 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  
Shelby County  
Independent Accountants' Report  
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This report is intended solely for the information and use of the management, Board of Trustees, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 15, 2003

**PERRY TOWNSHIP  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$14,745	\$13,592		\$28,337
Intergovernmental	26,501	62,209	\$34,600	123,310
Special Assessments			4,580	4,580
Licenses, Permits, and Fees	866	25,064		25,930
Earnings on Investments	4,009	1,549		5,558
Other Revenue	8,054	24,345		32,399
	<u>54,175</u>	<u>126,759</u>	<u>39,180</u>	<u>220,114</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	54,943			54,943
Public Safety		9,314		9,314
Public Works		100,578	4,536	105,114
Health	10,609	42,642		53,251
Capital Outlay	2,500	21,721	34,600	58,821
	<u>68,052</u>	<u>174,255</u>	<u>39,136</u>	<u>281,443</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(13,877)</u>	<u>(47,496)</u>	<u>44</u>	<u>(61,329)</u>
Fund Cash Balances, January 1	<u>111,336</u>	<u>200,251</u>	<u>3,141</u>	<u>314,728</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$97,459</b></u>	<u><b>\$152,755</b></u>	<u><b>\$3,185</b></u>	<u><b>\$253,399</b></u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$2,817</u>	<u>\$0</u>	<u>\$2,817</u>

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

**PERRY TOWNSHIP  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Fiduciary Fund Type</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$87
Total Operating Cash Receipts	87
<b>Operating Cash Disbursements:</b>	
Supplies and Materials	75
Total Operating Cash Disbursements	75
Operating Income/(Loss)	12
Fund Cash Balance, January 1	3,649
<b>Fund Cash Balance, December 31</b>	<b>\$3,661</b>

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

**PERRY TOWNSHIP  
SHELBY 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$15,972	\$16,081		\$32,053
Intergovernmental	87,560	60,073		147,633
Special Assessments			\$4,643	4,643
Licenses, Permits, and Fees	972	28,166		29,138
Earnings on Investments	6,731	1,808		8,539
Other Revenue	1,398	19,370		20,768
	<u>112,633</u>	<u>125,498</u>	<u>4,643</u>	<u>242,774</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	55,349			55,349
Public Safety		12,226		12,226
Public Works		34,806	4,536	39,342
Health	4,240	42,263		46,503
Capital Outlay		2,850		2,850
	<u>59,589</u>	<u>92,145</u>	<u>4,536</u>	<u>156,270</u>
Total Receipts Over/(Under) Disbursements	<u>53,044</u>	<u>33,353</u>	<u>107</u>	<u>86,504</u>
Fund Cash Balances, January 1	<u>58,292</u>	<u>166,898</u>	<u>3,034</u>	<u>228,224</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$111,336</u></b>	<b><u>\$200,251</u></b>	<b><u>\$3,141</u></b>	<b><u>\$314,728</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$49</u>	<u>\$0</u>	<u>\$49</u>

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

**PERRY TOWNSHIP  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Fiduciary Fund Type</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$91
Total Operating Cash Receipts	91
<b>Operating Cash Disbursements:</b>	
Supplies and Materials	76
Total Operating Cash Disbursements	76
Operating Income/(Loss)	15
Fund Cash Balance, January 1	3,634
<b>Fund Cash Balance, December 31</b>	<b>\$3,649</b>

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

**PERRY TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Perry Township, Shelby 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Port Jefferson Fire Department and Miami Township to provide fire services and the Perry Port Salem Ambulance District to provide 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 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**

The District maintained an interest bearing checking account, money market account, and certificates of deposit during the audit period all of which 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 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.

**PERRY TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**Motor Vehicle License Tax Fund** – This fund receives permissive motor vehicle tax money for constructing, maintaining, and repairing the Township's roads.

**Fire District Fund** - This fund receives property tax money to provide fire services to the Township residents.

**Cemetery Fund** – This fund receives money from the sale of plots and the opening and closing of graves to be used for cemetery upkeep.

**3. Capital Projects Fund**

These funds are 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 project fund:

**Community Development Block Grant Fund** - The Township received grant money from Shelby County through the Community Development Block Grant program to be used for Township road projects.

**Lighting Assessment Fund** - This fund receives money from a special assessment levied against Township property owners to provide street lighting for residents.

**4. Fiduciary Funds (Non-Expendable Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

**Cemetery Bequest Funds** – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end. During 2002 the Township did not comply with the requirements of Ohio Rev. Code Section 5705.41(B) for the Capital Projects Fund and expended unappropriated funds.

**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.

**PERRY TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated in the subsequent year.

The Township failed to use the encumbrance method of accounting and certify that funds were available prior to incurring obligations in violation of Ohio Rev. Code 5705.41(D).

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**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 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:

	2002	2001
Demand deposits	\$213,146	\$270,049
Certificates of deposit	43,914	48,328
Total deposits	\$257,060	\$318,377

**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 ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,242	\$54,175	\$14,933
Special Revenue	116,691	126,759	10,068
Capital Projects	4,410	39,180	34,770
Fiduciary	94	87	(7)
Total	\$160,437	\$220,201	\$59,764

**PERRY TOWNSHIP  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,578	\$68,052	\$82,526
Special Revenue	316,942	177,072	139,870
Capital Projects	7,551	39,136	(31,585)
Fiduciary	1,042	75	967
Total	<u>\$476,113</u>	<u>\$284,335</u>	<u>\$191,778</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,524	\$112,633	\$70,109
Special Revenue	116,629	125,498	8,869
Capital Projects	4,410	4,643	233
Fiduciary	129	91	(38)
Total	<u>\$163,692</u>	<u>\$242,865</u>	<u>\$79,173</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,816	\$59,589	\$41,227
Special Revenue	280,319	92,194	188,125
Capital Projects	7,444	4,536	2,908
Fiduciary	3,762	76	3,686
Total	<u>\$392,341</u>	<u>\$156,395</u>	<u>\$235,946</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. RETIREMENT SYSTEMS**

The Township's 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance coverage to the Cemetery Sexton and elected officials through a private carrier.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Perry Township  
Shelby County  
6370 Jackson Road  
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Shelby County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 15, 2003. 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, contracts and grants, 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 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 15, 2003.

**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 15, 2003.

Perry Township  
Shelby County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the management and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 15, 2003

**PERRY TOWNSHIP  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. Shown below is the amount by which expenditures exceeded appropriations at December 31, 2002, at the fund/function/object legal level of control for the Capital Projects Fund Type:

<b>Fund/Function/Object Level - 2002</b>	<b>Appropriated</b>	<b>Expended</b>	<b>Excess</b>
Capital Projects Fund			
Community Development Block Grant Fund			
Capital Outlay	\$0	\$34,600	\$34,600

Failure to adopt amended appropriations for an increase or decrease in allowable spending could result in expenditures being made in excess of actual funds available and result in deficit spending.

Procedures should be developed to compare actual expenditures to appropriations in order to identify when expenditures are nearing the level of appropriations and appropriate action taken. This can be accomplished through the review of the budget versus actual report generated by the system on a monthly basis.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

**Ohio Rev. Code Sec. 5705.41 (D)**, states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

We noted that for 12% of the disbursements tested, the fiscal officer's certificate was completed after the obligation was incurred and the above exception was not utilized.

Failure to comply with this requirement can result in the Township expending funds that it does not have in its treasury.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**PERRY TOWNSHIP**

**SHELBY 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 21, 2003**