

Perry Township

Audited Financial Statements

December 31, 2003 and 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Perry Township
3111 Hilton Street NW
Massillon, Ohio 44646

We have reviewed the Independent Auditor's Report of Perry Township, Stark County, prepared by Rea & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 27, 2004

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**PERRY TOWNSHIP
STARK COUNTY**

DECEMBER 31, 2003 AND 2002

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 10, 2004

Board of Trustees
Perry Township
Massillon, OH 44646

Independent Auditor's Report

We have audited the accompanying financial statements of Perry Township (the "Township") as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. 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 audits 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 audits provide a reasonable basis for our opinion.

As described 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 accounting principles generally accepted in the United States of America.

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 Perry Township as of December 31, 2003 and 2002, 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 also have issued our report dated June 10, 2004 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.

This report is intended solely for the information and use of the Board, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

PERRY TOWNSHIP
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE:
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:					
Taxes	\$ 59,819	\$ 3,939,911	\$ 42,963	\$ 0	\$ 4,042,693
Intergovernmental Revenue	636,764	588,253	0	353,922	1,578,939
Special Assessments	0	6,743	0	0	6,743
Charges For Services	0	489,609	0	0	489,609
Licenses, Permits and Fees	96,714	0	0	0	96,714
Fines and Forfeitures	39,657	8,090	0	0	47,747
Gifts	0	22,226	0	0	22,226
Interest	16,239	68	0	0	16,307
Miscellaneous	8,895	120,482	0	0	129,377
Total Cash Receipts	858,088	5,175,382	42,963	353,922	6,430,355
CASH DISBURSEMENTS:					
Current:					
Public Safety	13,499	4,108,745	0	0	4,122,244
Public Works	0	1,849,768	0	353,922	2,203,690
Health	192,454	0	0	0	192,454
Conservation - Recreation	52,485	0	0	0	52,485
Miscellaneous	0	2,203	0	0	2,203
General Government	958,280	0	0	0	958,280
Capital Outlay	0	4,831	0	648,004	652,835
Debt Service:					
Principal	0	0	20,000	0	20,000
Interest	0	0	22,963	0	22,963
Total Cash Disbursements	1,216,718	5,965,547	42,963	1,001,926	8,227,154
Total Cash Receipts Over (Under) Cash Disbursements	(358,630)	(790,165)	0	(648,004)	(1,796,799)
OTHER FINANCING RECEIPTS (DISBURSEMENTS)					
Proceeds from Notes	0	0	0	800,000	800,000
Other Financing Sources	58,728	0	0	0	58,728
Total Other Financing Receipts (Disbursements)	58,728	0	0	800,000	858,728
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(299,902)	(790,165)	0	151,996	(938,071)
FUND CASH BALANCES, January 1, 2003	420,723	1,213,409	0	0	1,634,132
FUND CASH BALANCES, December 31, 2003	\$ 120,821	\$ 423,244	\$ 0	\$ 151,996	\$ 696,061
RESERVE FOR ENCUMBRANCES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements

PERRY TOWNSHIP
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary
	Internal Service Fund
OPERATING CASH RECEIPTS:	
Charges for services	\$ 525,000
Total Operating Cash Receipts	525,000
OPERATING CASH DISBURSEMENTS:	
Contractual services	525,000
Total Operating Cash Disbursements	525,000
Operating Income	0
FUND CASH BALANCES, January 1, 2003	0
FUND CASH BALANCES, December 31, 2003	\$ 0
RESERVE FOR ENCUMBRANCES	\$ 0

The accompanying notes are an integral part of these financial statements.

PERRY TOWNSHIP
STARK 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

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Taxes	\$ 56,382	\$ 3,851,024	\$ 0	\$ 3,907,406
Intergovernmental Revenue	678,853	560,467	449,277	1,688,597
Special Assessments	0	67	0	67
Charges For Services	0	500,150	0	500,150
Licenses, Permits and Fees	87,279	0	0	87,279
Fines and Forfeitures	45,801	12,060	0	57,861
Gifts	0	9,990	0	9,990
Interest	29,278	107	0	29,385
Miscellaneous	8,764	483,286	0	492,050
Total Cash Receipts	906,357	5,417,151	449,277	6,772,785
CASH DISBURSEMENTS:				
Current:				
Public Safety	55,513	3,667,792	0	3,723,305
Public Works	0	1,831,810	449,277	2,281,087
Health	133,741	0	0	133,741
Conservation - Recreation	283,839	0	0	283,839
General Government	722,382	0	0	722,382
Capital Outlay	0	1,759	0	1,759
Total Cash Disbursements	1,195,475	5,501,361	449,277	7,146,113
Total Cash Receipts Over (Under) Cash Disbursements	(289,118)	(84,210)	0	(373,328)
OTHER FINANCING RECEIPTS (DISBURSEMENTS):				
Transfers - In	0	1,423	0	1,423
Transfers - Out	(1,423)	0	0	(1,423)
Other Financing Sources	63,816	0	0	63,816
Total Other Financing Receipts (Disbursements)	62,393	1,423	0	63,816
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(226,725)	(82,787)	0	(309,512)
FUND CASH BALANCES, January 1, 2002	647,448	1,296,196	0	1,943,644
FUND CASH BALANCES, December 31, 2002	\$ 420,723	\$ 1,213,409	\$ 0	\$ 1,634,132
RESERVE FOR ENCUMBRANCES	\$ 0	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements.

PERRY TOWNSHIP
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary
	Internal Service Fund
OPERATING CASH RECEIPTS:	
Charges for services	\$ 500,000
Total Operating Cash Receipts	500,000
OPERATING CASH DISBURSEMENTS:	
Contractual services	500,000
Total Operating Cash Disbursements	500,000
Operating Income	0
FUND CASH BALANCES, January 1, 2002	0
FUND CASH BALANCES, December 31, 2002	\$ 0
RESERVE FOR ENCUMBRANCES	\$ 0

The accompanying notes are an integral part of these financial statements.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Perry Township, Stark 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 general governmental services, including street and road maintenance, emergency management services, fire protection and police protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts, gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements 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 classified 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.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has the following significant Special Revenue Funds:

Police District Fund – This fund receives property tax and grant money for the purpose of funding the Township’s police department.

Fire District Fund – This fund receives property tax money and money for emergency services for the purpose of funding the Township’s fire and emergency management departments.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township has the following significant Capital Projects Fund:

West Manor Phase I Fund – This fund is used to account for receipts from federal, state and local government to be used for the installation and improvement of the Township’s storm sewer system.

4. Internal Service Fund

This fund is used to account for financing of goods or services provided by one department or agency to other departments or agencies of the Township. The Township had the following significant Internal Service Fund:

Medical Insurance Fund – This fund is used to account for receipts and expenditures associated with the Township’s self-funded health insurance plan.

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.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

NOTE 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>2003</u>	<u>2002</u>
Demand deposits	\$ (53,939)	\$ 149,132
Certificates of deposit	<u>750,000</u>	<u>1,400,000</u>
Total deposits	696,061	1,549,132
Repurchase Agreement	<u>0</u>	<u>85,000</u>
Total deposits and investments	<u>\$ 696,061</u>	<u>\$ 1,634,132</u>

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

Investments: The Township's agent holds securities collateralizing repurchase agreements. The securities are not in the Township's name.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 775,691	\$ 916,816	\$ 141,125
Special Revenue	5,213,913	5,175,382	(38,531)
Debt Service	42,963	42,963	0
Capital Projects	1,900,000	1,153,922	(746,078)
Internal Service	525,000	525,000	0
Total	\$ 8,457,567	\$ 7,814,083	\$ (643,484)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,286,414	\$ 1,216,718	\$ 69,696
Special Revenue	7,227,322	5,965,547	1,261,775
Debt Service	42,963	42,963	0
Capital Projects	1,100,000	1,001,926	98,074
Internal Service	525,000	525,000	0
Total	\$ 10,181,699	\$ 8,752,154	\$ 1,429,545

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 3: BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 852,481	\$ 970,173	\$ 117,692
Special Revenue	4,952,974	5,418,574	465,600
Capital Projects	2,035,000	449,277	(1,585,723)
Internal Service	500,000	500,000	0
Total	\$ 8,340,455	\$ 7,338,024	\$ (1,002,431)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,499,929	\$ 1,196,898	\$ 303,031
Special Revenue	6,249,170	5,501,361	747,809
Capital Projects	2,035,000	449,277	1,585,723
Internal Service	500,000	500,000	0
Total	\$ 10,284,099	\$ 7,647,536	\$ 2,636,563

During 2003 and 2002, the Township did not certify the availability of funds for various expenditures which is contrary to Ohio Rev. Code Section 5705.41(D).

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, 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.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 4: PROPERTY TAX (Continued)

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

NOTE 5: DEBT

The Township's note activity, including amount outstanding, interest rate, and the purpose for which the note was issued is as follows:

	Outstanding 1/1/2003	Additions	Reductions	Outstanding 12/31/2003
4.74% Police Building Note	\$ 0	\$ 800,000	\$ 20,000	\$ 780,000

The note is backed by the full faith and credit of the Township. The note has a term of fifteen years. The note was originally issued in 2003. The note debt is required to be paid off in 2017. Amortization of the above debt, including interest, is scheduled as follows:

	Police Building Note
Year ending December 31: 2004	\$ 76,498
2005	74,602
2006	72,706
2007	80,692
2008	78,322
2009-2013	375,346
2014-2017	322,232
	\$ 1,080,398

NOTE 6: RETIREMENT SYSTEMS

The Township's certified fire fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multi-employer plans. These plans provide 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 2003 and 2002, members of OP&F contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 7: RISK MANAGEMENT

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 insurance for its members. OTARMA is a member of the American Public Entity Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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

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

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

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, 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 23,757,036	\$23,703,776
Liabilities	<u>9,197,512</u>	<u>9,379,003</u>
Retained Earnings	<u>\$ 14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 6,596,996	\$ 5,011,131
Liabilities	<u>1,204,326</u>	<u>647,667</u>
Retained Earnings	<u>\$ 5,392,670</u>	<u>\$ 4,363,464</u>

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 7: RISK MANAGEMENT (Continued)

Self Insurance – The Township is also insured for health, dental and vision coverage. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an average cost per employee method. In addition, the Township’s various funds had direct expenditures of \$100,455 and \$97,633 in 2003 and 2002, respectively, which were not reflected within the Self Insurance Fund. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of December 31, 2003 and 2002:

	2003	2002
Cash and investments	\$ 0	\$ 0
Claims liabilities	60,115	19,346

NOTE 8: CONTINGENT LIABILITIES

The Township is defendant in one lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTE 9: JOINT VENTURE

The Township participates in the Perry-Navarre Joint Economic Development District (the “District”) which is a statutorily created political subdivision of the State. The purpose of the District is to facilitate economic development and to preserve jobs and employment opportunities. This joint venture is considered a separate reporting entity by the Township’s administration. Accordingly, the joint venture has not been included in these financial statements.

NOTE 10: CONTRACTUAL COMMITMENTS

As of December 31, 2003, the Township had contractual commitments for construction of a new police building.

	Contractual Commitment	Expended	Balance 12/31/2003
Armatas Construction	\$ 790,010	\$ (631,454)	\$ 158,556
Hilscher-Clark	164,175	(149,924)	14,251
Whistler Plumbing	68,297	(16,691)	51,606
Valley Heating & Cooling	64,306	(60,796)	3,510
	<u>\$1,086,788</u>	<u>\$ (858,865)</u>	<u>\$ 227,923</u>

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 10, 2004

Board of Trustees
Perry Township
Massillon, OH 44646

Report of Independent Accountant's on Compliance and on
Internal Control Required by *Government Auditing Standards*

We have audited the financial statements of Perry Township (the "Township") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 10, 2004. We conducted our audits 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 10, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, 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 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 the management of the Township in a separate letter dated June 10, 2004.

This report is intended for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specific parties.

Rea & Associates, Inc.

PERRY TOWNSHIP
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER	2003 – 001
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*Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

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

During our testing, 30% of expenditures in 2002 and 40% of expenditures in 2003 were not certified by the Township Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance.

The Township should certify the availability of funds for all expenditures and should inform all Township employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Township should implement the use of "then and now" certificates and blanket certificates as further permitted by Ohio Rev. Code Section 5705.41.

* Also reported in the prior audit schedule of findings

PERRY TOWNSHIP
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-41276-001	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) stating that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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.	No	Not corrected; Expenditures of money were still processed without prior certification from the Township Clerk that the necessary appropriations were available before the expenditure occurred.

PERRY TOWNSHIP
STARK COUNTY

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2003 AND 2002

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The Township Clerk plans to implement procedures to ensure that purchase orders provide for the Township Clerk's certification of available funds and to ensure that funds be certified and encumbered prior to incurring obligations.	12/31/04	Joe Schlegel, Township Clerk



**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

STARK 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 5, 2004**