



**PERRY TOWNSHIP
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

**PERRY TOWNSHIP
PICKAWAY COUNTY**

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Mary Taylor, CPA

Auditor of State

Perry Township
Pickaway County
30 South Church Street
New Holland, Ohio 43145

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.

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

Mary Taylor, CPA
Auditor of State

September 27, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Perry Township
Pickaway County
30 South Church Street
New Holland, Ohio 43145

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005. 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 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, 2006 and December 31, 2005 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, 2006 and December 31, 2005, 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 Perry Township, Pickaway County, Ohio, as of December 31, 2006 and 2005, 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 September 27, 2007, 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.



Mary Taylor, CPA
Auditor of State

September 27, 2007

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 16,382	\$ 74,718	\$ 91,100
Intergovernmental	23,388	99,878	123,266
Special Assessments	-	1,656	1,656
Licenses, Permits, and Fees	-	854	854
Earnings on Investments	4,244	6,610	10,854
Other Revenue	56	947	1,003
	<u>44,070</u>	<u>184,663</u>	<u>228,733</u>
Total Cash Receipts			
	<u>44,070</u>	<u>184,663</u>	<u>228,733</u>
Cash Disbursements:			
Current:			
General Government	52,322	1,100	53,422
Public Safety	26	26	52
Public Works	720	74,792	75,512
Health	18,524	2,801	21,325
Capital Outlay	-	23,356	23,356
	<u>71,592</u>	<u>102,075</u>	<u>173,667</u>
Total Cash Disbursements			
	<u>71,592</u>	<u>102,075</u>	<u>173,667</u>
Total Receipts Over/(Under) Disbursements	(27,522)	82,588	55,066
Fund Cash Balances, January 1	<u>174,907</u>	<u>433,072</u>	<u>607,979</u>
Fund Cash Balances, December 31	<u><u>\$ 147,385</u></u>	<u><u>\$ 515,660</u></u>	<u><u>\$ 663,045</u></u>

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

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 15,383	\$ 72,297	\$ 87,680
Intergovernmental	22,260	95,348	117,608
Special Assessments	-	1,684	1,684
Licenses, Permits, and Fees	-	1,138	1,138
Earnings on Investments	5,632	2,146	7,778
Other Revenue	-	177	177
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	43,275	172,790	216,065
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	55,308	1,192	56,500
Public Safety	13	4,499	4,512
Public Works	689	76,467	77,156
Health	14,841	3,226	18,067
Capital Outlay	-	52,504	52,504
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	70,851	137,888	208,739
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(27,576)	34,902	7,326
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Other Sources	25	-	25
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	25	-	25
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(27,551)	34,902	7,351
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	202,458	398,170	600,628
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 174,907	\$ 433,072	\$ 607,979
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$ -	\$ 16,906	\$ 16,906
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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, Pickaway 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 has joint ventures with New Holland Union Cemetery and Pic-A-Fay Joint Fire District. Note 7 to the financial statements provide additional information on these entities.

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. Cash 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 certificates 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:

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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.

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, 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 carried over, and need not be reappropriated.

A summary of 2006 and 2005 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.

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$508,974	\$461,427
Certificates of deposit	154,071	146,552
Total deposits	\$663,045	\$607,979

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,620	\$44,070	\$2,450
Special Revenue	149,406	184,663	35,257
Total	\$191,026	\$228,733	\$37,707

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,488	\$71,592	\$49,896
Special Revenue	349,428	102,075	247,353
Total	\$470,916	\$173,667	\$297,249

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,907	\$43,300	\$2,393
Special Revenue	134,600	172,790	38,190
Total	\$175,507	\$216,090	\$40,583

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,626	\$70,851	\$52,775
Special Revenue	301,111	154,794	146,317
Total	\$424,737	\$225,645	\$199,092

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Zoning Fund Salaries object level by \$145 for the year ended December 31, 2006 and in the Gasoline Fund Tools and Equipment object level by \$13,906 for the year ended December 31, 2005.

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.

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.

5. RETIREMENT SYSTEM

The Township's part time 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's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees 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 Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. 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, including loss adjustment expenses. 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 OTARMA'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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,520. 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.

Township Contributions to OTARMA	
2004	\$3,327
2005	\$3,522
2006	\$3,560

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 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 was incurred or reported prior to the withdrawal.

7. JOINT VENTURES

Pic-A-Fay Joint Fire District

Perry Township, Pickaway County; Marion Township, Fayette County; and the Village of New Holland, Pickaway County created by agreement a separate legal entity to provide fire protection and other services permitted by Ohio Revised Code Section 505.37 through 505.44 to its residents by the creation of the Pic-A-Fay Joint Fire District (the District) established in 2001.

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. JOINT VENTURES (Continued)

The Pic-A-Fay Joint Fire District is comprised of one representative from each participating subdivision, with each member having ongoing financial interest and responsibility proportionate to their interest in the District. The Board shall appoint a clerk to maintain all financial recordkeeping. All members are required to contribute an equal one-third share to the District board until the Pick-A-Fay Board can pass a fire tax levy on all taxable property within the District.

The Township contributed \$4,470 to the District in fiscal year 2005 for the lease of a fire truck. The lease of the truck was paid in full in 2005. No monies of the Township are pledged for their payment of the District's debt.

The financial activity of the District is not included in the accompanying financial statements. The District's financial statements can be obtained from the Pic-A-Fay Joint Fire District, 17 North Church Street, New Holland, Ohio 43145

New Holland Union Cemetery

The New Holland Union Cemetery (the Cemetery) is a Village/Township cemetery operated by the Village of New Holland and the Board of Trustees of Perry Township. The Cemetery Board is comprised of one Village council member from the Village of New Holland, one Trustee from Perry Township and one at large member to be elected by the trustees from the Township and the Village. Perry Township contributed \$1,000 per month to the New Holland Union Cemetery to provide funds for the maintenance of the cemetery, equipment and compensation for employees. The Cemetery's financial statements can be obtained at P.O. Box 55, New Holland, Ohio 43145.

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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*

Perry Township
Pickaway County
30 South Church Street
New Holland, Ohio 43145

To the Township Board of Trustees:

We have audited the financial statements of Perry Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 27, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes 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 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 in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

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. We believe none of the significant deficiencies described above is a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 27, 2007.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted a certain instance of noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 27, 2007.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

September 27, 2007

PERRY TOWNSHIP
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Expenditures Exceeding Appropriations – Noncompliance Finding/Significant Deficiency

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated. Actual disbursements plus outstanding encumbrances exceeded appropriations for the years ended December 31, 2006 and 2005 at the fund-function-object legal level of control as follows:

FY2006				
<u>Fund #</u>	<u>Fund Name</u>	<u>Total Appropriations</u>	<u>FY06 Expenditures</u>	<u>Variance</u>
13-A-1	Zoning – Salaries	\$937	\$1,082	(\$145)
FY2005				
<u>Fund #</u>	<u>Fund Name</u>	<u>Total Appropriations</u>	<u>FY06 Expenditures plus encumbrances</u>	<u>Variance</u>
3-A-4	Gasoline-Tools & Equipment	\$15,000	\$28,906	(\$13,906)

This could result in the Township spending more money than is available to spend.

We recommend the Township monitor expenditures and approve all amendments to appropriations deemed necessary. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Financial Reporting – Significant Deficiency

Sound financial reporting is the responsibility of the Fiscal Officer and the Township Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the financial statements and client ledgers:

Adjusted the 2006 General and Special Revenue Fund interest revenue by \$2,932 and \$4,587 respectively to reflect the accurate amount of interest earned. Adjusted the 2005 General Fund and Special Revenue Fund interest revenue by \$1,133 and \$419 respectively to reflect the accurate amount of interest earned.

**PERRY TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

**FINDING NUMBER 2006-002
(Continued)**

Financial Reporting – Significant Deficiency (Continued)

The following adjustment was inconsequential to the overall financial statements of the Township and was not posted to the financial statements.

2005 interest revenue that was not timely posted to the General and Special Revenue funds.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities occurring and going undetected and decreases the reliability of financial data throughout the year.

We recommend the Township Board of Trustees adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Board Monitoring – Significant Deficiency

Monitoring controls should be comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

The Board of Trustees should monitor the financial operations of the Township regularly so that appropriate actions may be taken in response to financial conditions on a timely basis. Such monitoring should include review of manual reports of revenue and expenditures and monthly bank reconciliations. Such review and action should take place during meetings of the Board of Trustees and should be reflected in the minutes of such meetings.

There was no evidence presented that the Board performed any type of review and approval of the Township's financial information other than approval of expenditures. Lack of timely effective monitoring controls could allow for operational failures and errors to occur without timely detection and appropriate management action.

We recommend the Board be provided with financial information and bank reconciliations after the close of each month, which should be reviewed for unexpected results or exceptions and accepted in the minutes of the Board meetings.

Officials' Response: Fiscal Officer informs the Trustees monthly of the balances in the accounts and of other information. Also, the Fiscal Officer monthly provides information received from the bank on Pledged Securities. Fiscal Officer will ask the trustees to sign bank statements.



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

PICKAWAY 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
NOVEMBER 20, 2007**