

PERRY TOWNSHIP

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Auditors'* of Perry Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Auditors'* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Auditors'* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 30, 2007

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**PERRY TOWNSHIP
MONTGOMERY COUNTY**

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

REPORT OF INDEPENDENT AUDITORS'

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

We have audited the accompanying financial statements of Perry Township, Montgomery County, (the Township), as of and for the years ended December 31, 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 that our audits provide a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 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 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 encumbrances of Perry Township, Montgomery County, 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 aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 a report dated May 10, 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 grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 10, 2007

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**PERRY TOWNSHIP
MONTGOMERY COUNTY**

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

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Total (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 41,533	\$ 635,096	\$ 676,629
Changes for Services	0	208,125	208,125
Intergovernmental Receipts	85,437	224,545	309,982
Special Assessments	0	206	206
Licenses, Permits and Fees	6,927	5,033	11,960
Fines and Forfeitures	8,635	405	9,040
Earnings on Investments	5,861	3,698	9,559
Miscellaneous	1,103	137,225	138,328
Total Cash Receipts	<u>149,496</u>	<u>1,214,333</u>	<u>1,363,829</u>
Cash Disbursements:			
Current:			
General Government	141,269	0	141,269
Public Safety	0	756,294	756,294
Public Works	0	360,143	360,143
Health	0	28,041	28,041
Debt Service:			
Redemption of Principal	0	20,000	20,000
Interest and Other Fiscal Charges	0	266	266
Capital Outlay	0	19,896	19,896
Total Cash Disbursements	<u>141,269</u>	<u>1,184,640</u>	<u>1,325,909</u>
Total Receipts Over/(Under) Disbursements	<u>8,227</u>	<u>29,693</u>	<u>37,920</u>
Other Financing Receipts/Disbursements			
Proceeds from Sale of Public Debt:			
Sale of Fixed Assets	0	3,005	3,005
Advances-In	10,850	21,850	32,700
Advances-Out	(10,850)	(21,850)	(32,700)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>3,005</u>	<u>3,005</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>8,227</u>	<u>32,698</u>	<u>40,925</u>
Fund Cash Balances, January 1, 2006	<u>21,477</u>	<u>302,465</u>	<u>323,942</u>
Fund Cash Balances, December 31, 2006	<u>\$ 29,704</u>	<u>\$ 335,163</u>	<u>\$ 364,867</u>
Reserve for Encumbrances	<u>\$ 859</u>	<u>\$ 7,505</u>	<u>\$ 8,364</u>

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

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

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

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Total (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 44,491	\$ 650,284	\$ 694,775
Changes for Services	0	217,952	217,952
Intergovernmental Receipts	82,772	265,605	348,377
Special Assessments	0	1,796	1,796
Licenses, Permits and Fees	9,333	7,142	16,475
Fines and Forfeitures	7,386	11,316	18,702
Earnings on Investments	4,073	879	4,952
Miscellaneous	6,402	43,706	50,108
Total Cash Receipts	154,457	1,198,680	1,353,137
Cash Disbursements:			
Current:			
General Government	141,686	0	141,686
Public Safety	0	639,379	639,379
Public Works	0	385,288	385,288
Health	0	23,984	23,984
Debt Service:			
Redemption of Principal	0	20,000	20,000
Interest and Other Fiscal Charges	0	532	532
Capital Outlay	0	88,118	88,118
Total Cash Disbursements	141,686	1,157,301	1,298,987
Total Receipts Over/(Under) Disbursements	12,771	41,379	54,150
Other Financing Receipts/Disbursements			
Sale of Fixed Assets	0	8,410	8,410
Advances-In	0	118	118
Advances-Out	0	(118)	(118)
Total Other Financing Receipts/(Disbursements)	0	8,410	8,410
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,771	49,789	62,560
Fund Cash Balances, January 1, 2005	8,706	252,676	261,382
Fund Cash Balances, December 31, 2005	\$ 21,477	\$ 302,465	\$ 323,942
Reserve for Encumbrances	\$ 537	\$ 2,859	\$ 3,396

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

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 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 of Montgomery County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, zoning, cemetery maintenance, refuse collection, emergency medical services, fire protection, and police services. The Township contracts with the Township of New Lebanon and the City of Brookville to provide fire protection and ambulance services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund:

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

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds:

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

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

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

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

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. 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. The Township did not encumber all expenditures commitments during 2006 and 2005 required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	338,249	298,627
STAR Ohio	26,618	25,315
Total deposits and investments	<u>364,867</u>	<u>323,942</u>

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

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

**PERRY TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 134,622	\$ 149,496	\$ 14,874
Special Revenue	1,418,534	1,217,338	(201,196)
Total	<u>\$ 1,553,156</u>	<u>\$ 1,366,834</u>	<u>\$ (186,322)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 150,225	\$ 142,128	\$ 8,097
Special Revenue	1,564,292	1,192,145	372,147
Total	<u>\$ 1,714,517</u>	<u>\$ 1,334,273</u>	<u>\$ 380,244</u>

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 141,828	\$ 154,457	\$ 12,629
Special Revenue	1,289,110	1,207,090	(82,020)
Total	<u>\$ 1,430,938</u>	<u>\$ 1,361,547</u>	<u>\$ (69,391)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 146,410	\$ 142,223	\$ 4,187
Special Revenue	1,493,159	1,160,160	332,999
Total	<u>\$ 1,639,569</u>	<u>\$ 1,302,383</u>	<u>\$ 337,186</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Police fund by \$4,584 in 2005 and \$9,496 in 2006, and the Fire fund by \$4,875 in 2006. Also, contrary to Ohio law, appropriations exceeded total estimated resources in Police fund, Fire fund and Fema fund for 2005.

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. LEASE

The Township entered into a lease agreement for the lease-purchase of a tractor mower under a capital lease. The outstanding principal at December 31, 2006 was \$17,408.

Future lease payments for the above leases are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2007	<u>\$18,698</u>
Total Minimum Lease Payments	\$18,698
Less amount representing interest	<u>1,290</u>
Present value of minimum lease payments	<u><u>\$17,408</u></u>

6. RETIREMENT SYSTEM

The Township's certified Law Enforcement Officers and full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, members of Law Enforcement contributed 10.1 percent of their wages. The Township contributed an amount equal to 16.7 percent of their wages to OPERS. All other OPERS members contributed 9% and 8.5 percent of their gross salaries for 2006 and 2005, respectively. The Township contributed an amount equaling 13.7 and 13.55 percent of participants' gross salaries for 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTAMRA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Law Enforcement Operations	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	507,100	Total Coverage
Boiler and Machinery	N/A	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the 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.

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, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained Earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained Earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

7. RISK MANAGEMENT (Continued)

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$13,000. 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.

<u>Township Contributions to OTARMA</u>	
2005	\$18,300
2006	\$17,981

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.

8. CONTINGENT LIABILITIES

The Township is defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. RECLASSIFICATION OF FUNDS

On January 1, 2005, the Township reclassified the Cemetery Bequest Fund from a nonexpendable trust fund to a special revenue fund.

	<u>Special Revenue Fund</u>	<u>Nonexpendable Trust Fund</u>
Fund cash balance, December 31, 2004	227,369	25,307
Reclassification of fund	25,307	(25,307)
Fund cash balance, January 1, 2005	252,676	0

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

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

We have audited the financial statements of Perry Township, Montgomery County (the Township), as of and for the years ended December 31, 2006, and 2005, and have issued our report thereon dated May 10, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the 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 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-004 through 2006-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-004 and 2006-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 10, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Government's management in a separate letter dated May 10, 2007.

We intend this report solely for the information and use of the audit committee, management and the Board of Township Trustees. It is not intended for anyone other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 10, 2007

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 29 of expenditures tested for 2006 and 2005 and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**FINDING 2006-001
 (Continued)**

We recommend the Township certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) required to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Fiscal Officer did not receive notice of purchase until invoice was received for payment.

Response: Fiscal Officer will review PO's and use of proper PO's in future.

FINDING NUMBER 2006-002

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

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

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
December 31, 2005:			
2081-Police District Fund	\$410,184	\$425,813	(\$15,629)
2111-Fire District Fund	\$223,115	\$236,273	(\$13,158)
2901-FEMA Fund	\$2,279	\$2,559	(\$280)

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

Response: Fiscal Officer will monitor budgetary compliance more closely in the future, and utilize the UAN system for budgetary reporting.

FINDING NUMBER 2006-003

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall expend money unless it has been appropriated. In 2005 and 2006, the Township had instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

<u>Fund</u>		<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Police District Fund	2006	\$411,112	\$420,608	(\$9,496)
Fire District Fund	2006	\$230,061	\$234,936	(\$4,875)
Police District Fund	2005	\$430,643	\$435,227	(\$4,584)

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

Response: Fiscal Officer will monitor budgetary compliance more closely in the future, and utilize the UAN system for budgetary reporting.

FINDING NUMBER 2006-004

Posting of Township Revenue

In some instances, the Township did not post revenue received within the month of receipt. We noted revenue received in 2006 and 2005 totaling \$8,711 and \$17,335, respectively, which were recorded on the Township's books the following month, instead of the month received. This caused a material misstatement of charges for services revenue on the financial reports prepared by the Township for both years. The Township also used incorrect account codes when posting receipts from intergovernmental sources to miscellaneous revenue. We noted several immaterial errors between the amount received and the amount posted.

The Township should use care in posting all revenue amounts to the accounting records, determine the source and nature of each receipt and post amounts to the account code that coincides with the nature of the transaction, and perform monthly bank reconciliations researching any variances between the bank and books and correcting all errors found. The accompanying financial statements include the required audit adjustments for the 2006 and 2005 revenue amounts.

Response: The Fiscal Officer will record receipt when received and will use due diligence in posting of receipts.

FINDING NUMBER 2006-005

Cash Management

Our review of the Township's cash management procedures disclosed the following weaknesses:

- The December 31, 2006 and 2005 bank reconciliation included \$1,325.75 and \$331.16 in unreconciled variances which if properly investigated would have been found to represent unrecorded receipts and posting errors;
- There were mispostings as to fund, line item, and amounts; direct (ACH) deposits and regular deposits made to the bank were not posted to the books;
- The Advantage Bank account was not reconciled on the UAN system, and was not included in the cash balances for 2006 and 2005. This account is used for trash utility deposits. Not including this account on the UAN system can misrepresent actual collections for the Garbage Fund.

Response: The Fiscal Officer will record receipts when received and will use due diligence in posting of receipts and investigate reconciling items as they occur.

FINDING NUMBER 2006-006

Supporting Documentation for Expenditures

Supporting documentation (i.e. invoices, credit card receipts, bills of lading, etc.) is needed for management to determine purpose and proper authorization of each expenditure transaction. As public documents all supporting expenditure documentation should be maintained until disposed of in accordance with the Townships records retention policy.

The Township did not maintain original receipts/invoices or other supporting documentation for 19 of the 2006 and 2005 non-payroll expenditures. The lack of supporting documentation could result in the payment for goods or services that were not received or authorized by the Township.

The Township should develop and implement procedures for maintaining detailed invoices to support all expenditures and to provide assurance to management that these expenditures were for goods or services actually received for the benefit of the Township.

Response: Some items are kept by department supervisors. Copies should be retained in the future for proper filing with the Township books and records for easy access.

**PERRY TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN</i> :
2004-001	Ohio Rev. Code Section 5705.41 - Failure to certify the availability of funds prior to incurring the obligations.	Partially	Reissued as 2006-001
2004-002	Ohio Rev. Code Section 5705.39 - Appropriations in excess of the amounts certified as available resources.	NO	Reissued as 2006-002
2004-003	Ohio Rev. Code Section 5705.41 - Expenditures in excess of the amounts appropriated.	NO	Reissued as 2006-003
2004-004	Posting of Township Revenue Unrecorded revenue and incorrect account codes.	NO	Reissued as 2006-004
2004-005	Cash Management Failure to complete timely and accurate monthly bank reconciliations.	Partially	Reissued as 2006-005
2004-006	Supporting documentation for expenditures Failure to maintain original receipts/invoices or other supporting documentation.	NO	Reissued as 2006-006



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2007**