



**PERRY TOWNSHIP
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP
WOOD COUNTY

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Mary Taylor, CPA
Auditor of State

Perry Township
Wood County
3995 Eagleville Road
Fostoria, Ohio 44830-9743

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 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. 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 black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 3, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Perry Township
Wood County
3995 Eagleville Road
Fostoria, Ohio 44830-9743

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Wood County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township

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has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, 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, Wood County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

June 3, 2010

**PERRY TOWNSHIP
WOOD COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$29,882	\$134,104	\$163,986
Charges for Services		3,780	3,780
Licenses, Permits, and Fees	6,809		6,809
Intergovernmental	98,095	233,938	332,033
Payment in Lieu of Taxes	6,579		6,579
Earnings on Investments	702		702
Miscellaneous	3,059		3,059
	<u>145,126</u>	<u>371,822</u>	<u>516,948</u>
Cash Disbursements:			
Current:			
General Government	80,113	3,655	83,768
Public Safety		99,216	99,216
Public Works	73,210	171,053	244,263
Capital Outlay	15,000	114,486	129,486
Debt Service:			
Redemption of Principal	6,235		6,235
Interest and Other Fiscal Charges	105		105
	<u>174,663</u>	<u>388,410</u>	<u>563,073</u>
Total Receipts Under Disbursements	<u>(29,537)</u>	<u>(16,588)</u>	<u>(46,125)</u>
Other Financing Receipts / (Disbursements):			
Advances-In	25,000	40,590	65,590
Advances-Out	<u>(25,590)</u>	<u>(40,000)</u>	<u>(65,590)</u>
	<u>(590)</u>	<u>590</u>	
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(30,127)	(15,998)	(46,125)
Fund Cash Balances, January 1	<u>48,527</u>	<u>184,183</u>	<u>232,710</u>
Fund Cash Balances, December 31	<u>\$18,400</u>	<u>\$168,185</u>	<u>\$186,585</u>
Reserve for Encumbrances, December 31		<u>\$229</u>	<u>\$229</u>

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

**PERRY TOWNSHIP
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$28,195	\$131,612	\$159,807
Charges for Services		3,180	3,180
Licenses, Permits, and Fees	3,812		3,812
Intergovernmental	87,229	138,590	225,819
Payment in Lieu of Taxes	6,974		6,974
Earnings on Investments	6,271		6,271
Miscellaneous	3,035	5,422	8,457
	<u>135,516</u>	<u>278,804</u>	<u>414,320</u>
Cash Disbursements:			
Current:			
General Government	85,918	3,385	89,303
Public Safety		74,326	74,326
Public Works	16,631	192,092	208,723
Capital Outlay		147,415	147,415
Debt Service:			
Redemption of Principal	21,007		21,007
Interest and Other Fiscal Charges	733		733
	<u>124,289</u>	<u>417,218</u>	<u>541,507</u>
Total Receipts Over/(Under) Disbursements	<u>11,227</u>	<u>(138,414)</u>	<u>(127,187)</u>
Other Financing Receipts / (Disbursements):			
Advances-In		2,184	2,184
Advances-Out	(2,184)		(2,184)
Other Financing Sources	3,740		3,740
	<u>1,556</u>	<u>2,184</u>	<u>3,740</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	12,783	(136,230)	(123,447)
Fund Cash Balances, January 1	<u>35,744</u>	<u>320,413</u>	<u>356,157</u>
Fund Cash Balances, December 31	<u>\$48,527</u>	<u>\$184,183</u>	<u>\$232,710</u>
Reserve for Encumbrances, December 31		<u>\$229</u>	<u>\$229</u>

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

**PERRY TOWNSHIP
WOOD COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Perry Township, Wood 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, cemetery maintenance, and fire protection services. The Township contracts with the City of Fostoria and the Villages of Bloomdale and Bradner to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

OTARMA is available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

STAR Ohio is recorded at share values reported by the State Treasurer.

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:

**PERRY TOWNSHIP
WOOD COUNTY**

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

1. Summary of Significant Accounting Policies – (Continued)

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 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.

Fire Protection Fund - This fund receives property tax money for fire protection purposes.

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 commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**PERRY TOWNSHIP
WOOD COUNTY**

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

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 Deposits and Investments

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

	2009	2008
Demand deposits	\$74,613	\$121,046
STAR Ohio	111,972	111,664
Total deposits and investments	\$186,585	\$232,710

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

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

3. Budgetary Activity

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

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,814	\$145,126	\$34,312
Special Revenue	270,283	371,822	101,539
Total	\$381,097	\$516,948	\$135,851

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$182,220	\$174,663	\$7,557
Special Revenue	402,399	388,639	13,760
Total	\$584,619	\$563,302	\$21,317

**PERRY TOWNSHIP
WOOD COUNTY**

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

3. Budgetary Activity – (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,291	\$139,256	\$26,965
Special Revenue	296,367	278,804	(17,563)
Total	\$408,658	\$418,060	\$9,402

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,000	\$124,289	\$22,711
Special Revenue	442,229	417,447	24,782
Total	\$589,229	\$541,736	\$47,493

Contrary to Ohio law, appropriations exceeded estimated resources in the Fire Protection, Fire Equipment, and Permissive MVLТ funds by \$36,650, \$6,287, and \$2,586, respectively, for the year ended December 31, 2009. Also contrary to Ohio law, homestead and rollback revenue was not posted to the correct funds in 2008 or 2009.

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 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.

**PERRY TOWNSHIP
WOOD COUNTY**

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

5. Retirement System – (Continued)

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

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. American Risk Pooling Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by APRCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

**PERRY TOWNSHIP
WOOD COUNTY**

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

6. Risk Management – (Continued)

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$12,000.

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>Contributions to OTARMA</u>	
2007	\$19,861
2008	\$17,992
2009	\$13,969

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary 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 occurred or was reported prior to the withdrawal.



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
Wood County
3995 Eagleville Road
Fostoria, Ohio 44830-9743

To the Board of Trustees:

We have audited the financial statements of Perry Township, Wood County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 3, 2010 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 also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001, 2009-004 and 2009-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 3, 2010.

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



Mary Taylor, CPA
Auditor of State

June 3, 2010

**PERRY TOWNSHIP
WOOD COUNTY**

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

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

FINDING NUMBER 2009-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The 2008 and 2009 homestead and rollback revenue was posted entirely to the General Fund rather than to the funds listed below. The entries necessary to correct these mispostings are reflected below:

	General Fund	Fire Protection Fund	Fire Equipment Fund	EMS Fund	Road and Bridge Fund
2008	(\$21,355)	\$10,445		\$2,129	\$8,781
2009	(22,046)	7,713	\$2,574	2,285	9,474
Total	(\$43,401)	\$18,158	\$2,574	\$4,414	\$18,255

The Fiscal Officer posted these adjustments to the Township records. These are also reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Township Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Fiscal Officer and Township Trustees review each month a receipt report to ensure receipts are properly posted.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract 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 void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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, each of 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 both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 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 of expenditures by the Board.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 Board 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 may, but need not, be limited to a specific vendor. 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 line item appropriation.

Twenty-eight percent of the transactions tested were not certified by the fiscal officer at the time the commitments were incurred, and there was no evidence the Board followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Board did not pass a resolution establishing limit amounts for regular blanket certificates.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board. If used, the Board should establish a limit for the blanket certificates by resolution. To improve controls over disbursements, we recommend all Board disbursements receive prior certification from the fiscal officer. We also recommend the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the fiscal officer and recorded against appropriations.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 5705.39 states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Appropriations exceeded estimated resources in the following funds in fiscal year 2009:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Difference</u>
Fire Protection Fund	\$122,307	\$158,957	\$36,650
Fire Equipment Fund	\$26,713	\$33,000	\$6,287
Permissive MVLT Fund	\$11,414	\$14,000	\$2,586

To reduce the possibility of over appropriating, we recommend the Board monitor appropriations and estimated resources to ensure appropriations do not exceed the amount of estimated resources. We also recommend the Board monitor the budgetary activity of the Township and either approve supplemental appropriations and send to the County Auditor or obtain increased amended certificates of estimated resources in order to stay in compliance with Ohio law.

FINDING NUMBER 2009-004

Material Weakness – Bank Reconciliations

Total cash balances per the Township’s books did not reconcile to the bank account balances at year end or throughout the audit period. The variance at December 31, 2008 was \$26,740.34 and December 31, 2009 was \$26,730.41. These were unexplained variances that were carried forward from month to month.

Sound financial reporting is the responsibility of the Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Township’s financial statements and notes to the statements are complete and accurate, we recommend the Fiscal Officer perform a monthly reconciliation consisting of fund balances, bank statements, investment balances, and a detail of outstanding checks, deposits-in-transit, and any other reconciling items. All reconciling items should be explained and have supporting documentation. This reconciliation should be submitted to the Board monthly. The Board should review the reconciliation and document their approval either by signing the reconciliation or approving the reconciliation in their minutes.

These weaknesses resulted in additional audit time to test and verify the accuracy of the accompanying financial statements. The Township has posted the necessary adjustments.

FINDING NUMBER 2009-005

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The following adjustments and reclassifications are included in the accompanying 2009 and 2008 financial statements and the Township’s accounting records:

- In the General Fund in 2008, there were reclassifications of revenues ranging from \$566 to \$13,068 for misposting of personal property tax reimbursement, rollback and homestead, gas and electric reimbursement, grant, payment in lieu of taxes revenues.

- In the Special Revenue Fund in 2008, there were reclassifications of revenues ranging from \$2,129 to \$2,857 for misposting of personal property tax reimbursement, gas and electric reimbursement, and grant revenues and reclassification of expenditures of \$132,598 for misposting of capital outlay.
- In the General Fund in 2009, there were reclassifications of revenues ranging from \$789 to \$6,579 for misposting of personal property tax reimbursement and payment in lieu of taxes revenues and reclassification of expenditures of \$15,000 for misposting of capital outlay.
- In the Special Revenue Fund in 2009, there were reclassifications of revenues ranging from \$4,016 to \$79,533 for misposting of personal property tax reimbursement and grant revenues and reclassifications of expenditures ranging from \$33,440 to \$34,200 for misposting of capital outlay.
- In 2008 and 2009, there was an adjustment posted in the amounts of \$21,355 and \$22,046, respectively, to the General and Special Revenue funds for rollback and homestead posted into the General fund that should have been posted to Special Revenue funds.

We recommend the Township adopt policies and procedures, including a final review of the ledgers and statements by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the Township chart of accounts to ensure all accounts are being properly posted to the financial statements.

These weaknesses resulted in additional audit time to test and verify the accuracy of the accompanying financial statements. The Township has posted the required adjustments.

Officials' Response:

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

**PERRY TOWNSHIP
WOOD COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC § 5705.10(D), Revenue posted to wrong fund	No	Repeated in this report as Finding 2009-001
2007-002	ORC § 5705.41(D)(1), Prior certification of expenditures	No	Repeated in this report as Finding 2009-002
2007-003	ORC § 5705.41(B), Expenditures exceeded appropriations	Yes	



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

WOOD 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
JUNE 17, 2010**