

**PERRY TOWNSHIP**

**ALLEN COUNTY**

**REGULAR AUDIT**

January 1, 2009 through December 31, 2010

Years Audited Under GAGAS: 2010 and 2009



**Caudill & Associates, CPA**

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

[www.caudillepa.com](http://www.caudillepa.com)





# Dave Yost • Auditor of State

Board of Trustees  
Perry Township  
2408 E. Breese Road  
Lima, Ohio 45806

We have reviewed the *Independent Auditor's Report* of Perry Township, Allen County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2009 through December 31, 2010. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 19, 2011

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**PERRY TOWNSHIP  
ALLEN COUNTY**

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www.caudillepa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

Perry Township  
2408 E. Breese Road  
Lima, OH 45806

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Allen County, (the Township) as of and for the years ended December 31, 2010 and 2009. 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' *Township 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

Perry Township  
Independent Auditor's Report

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Perry Township, Allen County, as of December 31, 2010 and 2009, 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 May 21, 2011, 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.

*Caudill & Associates, CPA*

Caudill & Associates, CPA

May 21, 2011

**PERRY TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 268,876	\$ 725,131	\$ -	\$ 994,007
Charges for Services	-	128,075	-	128,075
Licenses, Permits, and Fees	3,570	93	-	3,663
Fines and Forfeitures	239	3,797	-	4,036
Intergovernmental	189,486	127,639	-	317,125
Special Assessments	-	3,033	-	3,033
Earnings on Investments	820	121	-	941
Miscellaneous	5,106	9,581	-	14,687
	468,097	997,470	-	1,465,567
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	251,033	3,367	-	254,400
Public Safety	71,851	561,908	-	633,759
Public Works	3,053	214,562	-	217,615
Health	21,710	-	-	21,710
Capital Outlay	10,000	12,955	-	22,955
Debt Service:				
Redemption of Principal	-	66,284	-	66,284
Interest and Other Fiscal Charges	-	8,756	-	8,756
	357,647	867,832	-	1,225,479
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	110,450	129,638	-	240,088
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	-	3,301	-	3,301
	-	3,301	-	3,301
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	110,450	132,939	-	243,389
Fund Cash Balances, January 1	454,347	441,404	6,093	901,844
<b>Fund Cash Balances, December 31</b>	<b>\$ 564,797</b>	<b>\$ 574,343</b>	<b>\$ 6,093</b>	<b>\$ 1,145,233</b>

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



**PERRY TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Fiduciary Fund Types	Totals (Memorandum Only)
	Agency	
<b>Non-Operating Cash Receipts:</b>		
Miscellaneous Receipts	\$ 11,800	\$ 11,800
Total Non-Operating Cash Receipts	11,800	11,800
<b>Non-Operating Cash Disbursements:</b>		
Other Non-Operating Cash Disbursements	11,800	11,800
Total Non-Operating Cash Disbursements	11,800	11,800
Net Receipts Over/(Under) Disbursements	-	-
Fund Cash Balances, January 1	-	-
<b>Fund Cash Balances, December 31</b>	\$ -	\$ -

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

**PERRY TOWNSHIP  
ALLEN 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 264,073	\$ 753,863	\$ -	\$ 1,017,936
Charges for Services	-	106,913	-	106,913
Licenses, Permits, and Fees	9,644	537	-	10,181
Fines and Forfeitures	2,191	5,842	-	8,033
Intergovernmental	165,649	120,166	-	285,815
Special Assessments	-	4,463	-	4,463
Earnings on Investments	1,575	85	-	1,660
Miscellaneous	547	8,108	-	8,655
	443,679	999,977	-	1,443,656
<b>Cash Disbursements:</b>				
Current:				
General Government	226,419	914	-	227,333
Public Safety	75,186	389,876	-	465,062
Public Works	1,448	209,355	-	210,803
Health	23,534	-	-	23,534
Capital Outlay	30,482	32,846	113,907	177,235
Debt Service:				
Redemption of Principal	-	388,697	-	388,697
Interest and Other Fiscal Charges	-	10,643	-	10,643
	357,069	1,032,331	113,907	1,503,307
Total Receipts Over/(Under) Disbursements	86,610	(32,354)	(113,907)	(59,651)
<b>Other Financing Receipts / (Disbursements):</b>				
Other Debt Proceeds	-	-	120,000	120,000
Sale of Fixed Assets	-	17,039	-	17,039
Transfers-In	-	20,000	-	20,000
Transfers-Out	(20,000)	-	-	(20,000)
	(20,000)	37,039	120,000	137,039
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	66,610	4,685	6,093	77,388
Fund Cash Balances, January 1	387,737	436,719	-	824,456
<b>Fund Cash Balances, December 31</b>	<b>\$ 454,347</b>	<b>\$ 441,404</b>	<b>\$ 6,093</b>	<b>\$ 901,844</b>

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

**PERRY TOWNSHIP  
ALLEN COUNTY**

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

	Fiduciary Fund Types	Totals (Memorandum Only)
	Agency	
<b>Non-Operating Cash Receipts:</b>		
Miscellaneous Receipts	\$ 19,900	\$ 19,900
	19,900	19,900
<b>Total Non-Operating Cash Receipts</b>	<b>19,900</b>	<b>19,900</b>
<b>Non-Operating Cash Disbursements:</b>		
Other Non-Operating Cash Disbursements	19,900	19,900
	19,900	19,900
<b>Total Non-Operating Cash Disbursements</b>	<b>19,900</b>	<b>19,900</b>
Net Receipts Over/(Under) Disbursements	-	-
Fund Cash Balances, January 1	-	-
<b>Fund Cash Balances, December 31</b>	<b>\$ -</b>	<b>\$ -</b>

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

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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, Allen 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, cemetery maintenance, fire protection and emergency medical services.

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 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.

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 investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

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

Fire Fund – This fund receives property tax money for providing fire protection to the Township.

**3. Capital Projects Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

EMS Vehicle – This fund receives short term loans for the purchase of emergency vehicles.

**4. Fiduciary Funds**

Fiduciary Funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or government.

Hold Insurance Money – These monies are received from insurance companies and held in an escrow account by the Township on behalf of its constituents and paid once the property owners meet the standards set by the Township for maintaining property within the Township limits.

**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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 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.

**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 DEPOSITS**

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

	2010	2009
Demand Deposits	\$ 1,117,102	\$ 873,744
STAR Ohio	28,131	28,100
Total Deposits and Investments	<u>\$ 1,145,233</u>	<u>\$ 901,844</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  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

<b>2010 Budget vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 387,058	\$ 468,097	\$ 81,039
Special Revenue	1,088,708	1,000,771	(87,937)
Capital Projects	-	-	-
	<u>1,475,766</u>	<u>1,468,868</u>	<u>(6,898)</u>

<b>2010 Budget vs. Actual Disbursements</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 470,484	\$ 357,647	\$ 112,837
Special Revenue	1,063,872	867,832	196,040
Capital Projects	-	-	-
	<u>1,534,356</u>	<u>1,225,479</u>	<u>308,877</u>

<b>2009 Budget vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 442,200	\$ 443,679	\$ 1,479
Special Revenue	1,004,054	1,037,016	32,962
Capital Projects	-	120,000	120,000
	<u>1,446,254</u>	<u>1,600,695</u>	<u>154,441</u>

<b>2009 Budget vs. Actual Disbursements</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 612,500	\$ 377,069	\$ 235,431
Special Revenue	1,232,652	1,032,331	200,321
Capital Projects	120,000	113,907	6,093
	<u>1,965,152</u>	<u>1,523,307</u>	<u>441,845</u>

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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. DEBT**

The Township's long-term debt activity for the year ended December 31, 2010, was as follows:

In 2006, The Township entered into a lease purchase agreement with Daimler Chrysler Truck Financial to purchase a dump truck for \$52,725 with an advance principal payment due at signing of \$14,264. The debt obligation on the dump truck was retired on May 29, 2009.

In 2007, the Township authorized the issuance and sale of \$700,000 at 4.17% in improvement bond anticipation notes for the construction of a fire station with a maturity date of May 2010 from JP Morgan Chase Bank, NA. The debt obligation on the fire station was retired on May 17, 2010.

In 2009, the Township authorized the issuance and sale of \$120,000 at 3.84% in ambulance bonds for the purchase of a new ambulance with a maturity date of June 1, 2011 from JPMorgan Chase Banks, N.A. The debt obligation was retired on May 17, 2010.

**6. RETIREMENT SYSTEMS**

The Township's elected officials and 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equaling 14% of participants' gross salaries respectively. As of December 31, 2010 the Township has paid all contributions required.



**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors & Irregularities; and
- Vehicles

**8. COMPLIANCE**

Contrary to the Ohio Rev. Code Section 5705.36, in 2009, the Township made appropriations in excess of what was available for appropriation for the Motor Vehicle License Fund and the Road and Bridge Fund.

Contrary to Ohio Rev. Code Section 5705.39, in 2009, total appropriations of the road and bridge fund and EMS vehicle fund exceeded estimated resources.

Contrary to Ohio Rev. Code Section 5705.09, the Township established new funds without proper authorization.

Contrary to Ohio Rev. Code Section 5705.14 to 5705.16, the Township performed advances without proper authority.

Contrary to Ohio Rev. Code Section 5705.10, the Township had a negative fund balance in 2009 and 2010.

**9. CONTINGENT LIABILITIES**

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



## Caudill & Associates, CPA

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P: 740.353.5171 | F: 740.353.3749  
www.caudillcpa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Perry Township  
Allen County  
2408 E. Breese Road  
Lima, Ohio 45808

To the Board of Trustees:

We have audited the financial statements of Perry Township, Allen County, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 21, 2011, wherein we noted 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 opinions on the financial statements, but not for 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 and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

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 finding 2010-008 described in the accompanying schedule of findings and responses to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2010-004 through 2010-007 described in the accompanying schedule of findings and responses to be significant deficiencies.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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 responses as items 2010-001 through 2010-005.

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

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

Handwritten signature in cursive script that reads "Caudill & Associates, CPA".

Caudill & Associates, CPA

May 21, 2011

**PERRY TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36 (A)**

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The Ohio Revised Code Section 5705.36 (A) (4) requires the Township to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In 2009, Motor Vehicle License Tax Fund and Road and Bridge Fund had appropriations in excess of their available resources. Failure to obtain reduced amended certificate, when actual revenues are less than the budgeted revenues, may lead to expenditures in excess of available fund balances.

We recommend the Township obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriations. Approval of the modifications should be enacted and documented in the Township's Minutes.

**Township Response:**

The Township has been diligent to comply with Ohio Revised Code. The Township will amend the certificate of estimated resources when deemed necessary.

**FINDING NUMBER 2010-002**

**Noncompliance Citation – Ohio Rev. Code Section 5705.39**

The Ohio Revised Code Section 5705.39 requires in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is 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.

In fiscal year 2009, total appropriations for the Road and Bridge Fund and EMS Vehicle exceeded the total estimated resources.

Failure to monitor appropriations against estimated resources may result in appropriations exceeding the estimated resources and further may result in expenditures in excess of available resources. The Township should monitor the appropriations against estimated resources and make modifications as necessary to the appropriations.

**Township Response:**

The Township will appropriately follow the auditor's recommendation and monitor appropriations and estimated resources.

**PERRY TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-003**

**Noncompliance Citation – Ohio Rev. Code Section 5709.09**

Ohio Rev. Code Section 5705.09 states that each established fund should be formally approved by resolution or ordinance, documented in the minutes, or approved through the Auditor of State.

During 2009, the Township established the EMS Vehicle Fund and the Hold Insurance Money Fund, which did not have evidence of authorized establishment, such as a formal resolution or ordinance or approval by Auditor of state.

Failure to comply can result in findings for adjustment and noncompliance with statutory requirements. The Township should review the requirement of the Ohio Rev. code 5709.09 before establishing a new fund, and obtain proper authorization from the governing body and/or Auditor of State.

**Township Response:**

The Township previously discussed the creation of the funds with Auditor of State, but was unaware of the additional requirements for creation of new funds. The Township will review the Ohio Rev. Code for future reference.

**FINDING NUMBER 2010-004**

**Non-compliance/Significant Deficiency – Transfers and Advances**

Ohio Rev. Code Section 5705.14 to 5705.16 states, "No transfer can be made from one fund of a subdivision to any other fund, except as defined by Ohio Rev. Code Sections 5705.14-.16. Inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Ohio Rev. Code. Advances, on the other hand, temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The debtor fund may repay advances from the creditor fund. That is, the AOS would not deem repaying advances to violate restrictions on use of the debtor's fund resources; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
  - A specific statement that the transaction is an advance of cash, and
  - An indication of the money (fund) from which it is expected that repayment will be made.

**PERRY TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-004 (Continued)**

In 2009, it was noted during testing that out of seven advances, two were approved as transfers in the minutes, one was correctly approved, but was not repaid in 2010, and four were not authorized by the governing body. An adjustment was made to reverse the unauthorized advances, and to reclassify the approved advance to a transfer.

Failure to properly authorize transfers and advances may result in non-compliance of Ohio Rev. Code and negative fund balances. We recommend that the Township properly authorize and document the transfer or advance of funds in accordance with Ohio Revised Code.

**Township Response:**

Township officials did not respond to this finding.

**FINDING NUMBER 2010-005**

**Non-compliance/Significant Deficiency – Negative Fund Balance**

Ohio Rev. Code Section 5705.10 states, “Money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, negative fund balances indicate that money from one fund was used to cover the expenses of another fund.”

The Township had negative fund cash balance as of December 31, 2010 and 2009, respectively, in the Gas Tax Fund as a result of a reversal of unauthorized advances during the audit.

We recommend the Township monitor fund balances closely, decrease expenses and increase funding. Furthermore, we recommend the Township limit spending in funds experiencing cash flow problems to essential purchases only.

**Township Response:**

This was the result of a fund balance adjustment that was requested by the auditors. We have transferred funds back into these funds to provide a positive balance.

**FINDING NUMBER 2010-006**

**Significant Control Deficiency – Payroll Procedures**

It was noted during the audit, that the Township did not present written agreements as documentation to show the base contract compensation amounts for most employees.

Although the Township documents any new salaries in the minutes, we recommend that the base compensation amounts are also kept on file for documentation.

**Township Response:**

Township officials will ensure that written agreements are kept for all future employees documenting the base compensation amounts.

**PERRY TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-007**

**Significant Control Deficiency – Cash Controls**

The Fiscal Officer performed monthly cash reconciliations; however, the Board of Trustees did not sign off on the reconciliations for six months in 2010. Therefore, there was no evidence of their review and approval of the cash transactions performed by the fiscal officer.

Failure by the Board of Trustees to review and approve bank reconciliations compromises the internal control environment of the Township.

The Township should develop and adopt appropriate procedures to ensure that bank reconciliations are consistently reviewed and approved.

**Township Response:**

Township officials will ensure that the monthly review of bank reconciliations will be documented in the minutes to indicate that bank reconciliations have been reviewed.

**FINDING NUMBER 2010-008**

**Material Weakness - Misclassification of payments and receipts**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 (supersedes SAS 112), establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a township's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and those charged with governance any significant deficiencies or material weaknesses in internal control that were found during the engagement.

During 2010 and 2009, the Township erroneously posted debt payments, property tax receipts, insurance receipts and payments, and intergovernmental receipts and did not use the proper account codes. This required reclassifications to properly present the activities of the Township for both years.

We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Township Response:**

Township officials will monitor the disbursements, property tax and intergovernmental revenues more closely to properly post the activities of the Township.

**PERRY TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended December 31, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code 5705.41 (D)(1), Failure to properly certify expenditures	Yes	Finding no longer Valid
2008-002	Misclassification of debt payments and receipts	No	Reissued as finding 2010-008
2008-003	Payroll Procedures	No	Reissued as finding 2010-006





# Dave Yost • Auditor of State

PERRY TOWNSHIP

ALLEN 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 2, 2011