

PERRY TOWNSHIP
LICKING COUNTY
REGULAR AUDIT
JANUARY 1, 2012 – DECEMBER 31, 2013





Dave Yost • Auditor of State

Board of Trustees
Perry Township
6870 Licking Valley Road NE
Frazeyburg, Ohio 43822

We have reviewed the *Independent Auditor's Report* of Perry Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 13, 2014

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**PERRY TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Perry Township
Licking County
6870 Licking Valley Road NE
Frazeyburg, Ohio 43822

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Perry Township, Licking County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Wilson, Shannon & Snow, Inc.

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Perry Township
Licking County
Independent Auditor's Report

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Perry Township, Licking County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2012, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2014 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

March 30, 2014

**PERRY TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES (DEFICIT)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Local Taxes	\$ 65,198	\$ 87,960	\$ -	\$ 153,158
Intergovernmental	28,094	108,367	-	136,461
Licenses, Permits, and Fees	1,500	-	-	1,500
Earnings on Investments	93	98	19	210
Other Revenue	1,041	47,040	-	48,081
	<u>95,926</u>	<u>243,465</u>	<u>19</u>	<u>339,410</u>
Total Cash Receipts				
	<u>95,926</u>	<u>243,465</u>	<u>19</u>	<u>339,410</u>
Cash Disbursements:				
Current:				
General Government	98,731	-	-	98,731
Public Safety	-	83,533	-	83,533
Public Works	-	124,609	-	124,609
Health	1,778	1,926	-	3,704
Debt Service:				
Redemption of Principal	-	8,550	-	8,550
Interest and Fiscal Charges	-	1,042	-	1,042
Capital Outlay	-	4,125	-	4,125
	<u>100,509</u>	<u>223,785</u>	<u>-</u>	<u>324,294</u>
Total Cash Disbursements				
	<u>100,509</u>	<u>223,785</u>	<u>-</u>	<u>324,294</u>
Total Receipts Over/(Under) Disbursements	<u>(4,583)</u>	<u>19,680</u>	<u>19</u>	<u>15,116</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Lease Proceeds	-	4,125	-	4,125
	<u>-</u>	<u>4,125</u>	<u>-</u>	<u>4,125</u>
Total Other Financing Receipts	<u>-</u>	<u>4,125</u>	<u>-</u>	<u>4,125</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(4,583)</u>	<u>23,805</u>	<u>19</u>	<u>19,241</u>
Fund Cash Balances, January 1	<u>298</u>	<u>109,929</u>	<u>2,824</u>	<u>113,051</u>
Fund Cash Balances (Deficit), December 31	<u><u>\$ (4,285)</u></u>	<u><u>\$ 133,734</u></u>	<u><u>\$ 2,843</u></u>	<u><u>\$ 132,292</u></u>
Fund Cash Balance, December 31				
Nonspendable	\$ -	\$ -	\$ 2,500	\$ 2,500
Restricted	-	133,734	343	134,077
Unassigned (Deficit)	(4,285)	-	-	(4,285)
Fund Cash Balance, December 31	<u><u>\$ (4,285)</u></u>	<u><u>\$ 133,734</u></u>	<u><u>\$ 2,843</u></u>	<u><u>\$ 132,292</u></u>

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

**PERRY TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
Cash Receipts:					
Local Taxes	\$ 62,972	\$ 83,241	\$ -	\$ -	\$ 146,213
Intergovernmental	35,018	107,449	-	-	142,467
Licenses, Permits, and Fees	2,929	-	-	-	2,929
Earnings on Investments	67	71	-	38	176
Other Revenue	222	3,328	-	-	3,550
	<u>101,208</u>	<u>194,089</u>	<u>-</u>	<u>38</u>	<u>295,335</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	100,293	-	-	-	100,293
Public Safety	-	71,949	-	-	71,949
Public Works	6,579	85,097	336	-	92,012
Health	-	2,800	-	-	2,800
Capital Outlay	-	28,560	-	-	28,560
	<u>106,872</u>	<u>188,406</u>	<u>336</u>	<u>-</u>	<u>295,614</u>
Total Cash Disbursements					
Total Receipts Over (Under) Disbursements	<u>(5,664)</u>	<u>5,683</u>	<u>(336)</u>	<u>38</u>	<u>(279)</u>
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Bonds	-	28,560	-	-	28,560
	<u>-</u>	<u>28,560</u>	<u>-</u>	<u>-</u>	<u>28,560</u>
Total Other Financing Receipts					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(5,664)</u>	<u>34,243</u>	<u>(336)</u>	<u>38</u>	<u>28,281</u>
Fund Cash Balances, January 1	<u>5,962</u>	<u>75,686</u>	<u>336</u>	<u>2,786</u>	<u>84,770</u>
Fund Cash Balances, December 31	<u>\$ 298</u>	<u>\$ 109,929</u>	<u>\$ -</u>	<u>\$ 2,824</u>	<u>\$ 113,051</u>
Fund Cash Balance, December 31					
Nonspendable	\$ -	\$ -	\$ -	\$ 2,500	\$ 2,500
Restricted	-	109,929	-	324	110,253
Unassigned	298	-	-	-	298
Fund Cash Balance, December 31	<u>\$ 298</u>	<u>\$ 109,929</u>	<u>\$ -</u>	<u>\$ 2,824</u>	<u>\$ 113,051</u>

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

**PERRY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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, Licking 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 and cemetery maintenance. Fire and ambulance services are provided by the Hanover Volunteer Fire Department. Police protection is provided by the Licking County Sheriff.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). Note 7 to the financial statements provide additional information for the Township.

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.

The Township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

**PERRY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

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 private-purpose trusts or for capital projects) 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.

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

Fire Operation Fund - This fund receives taxes and intergovernmental money for the purpose of providing fire and emergency ambulance protection as contracted with the Hanover Volunteer Fire Department.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Bond Retirement Fund - This fund received gasoline tax money in prior years to pay for related debt service costs.

4. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following Permanent Fund:

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**PERRY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2013 and 2012 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.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**PERRY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. EQUITY IN POOLED DEPOSITS

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:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$129,792	\$110,551
Certificates of Deposit	2,500	2,500
Total deposits	<u>\$132,292</u>	<u>\$113,051</u>

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

**PERRY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,426	\$95,926	\$500
Special Revenue	231,715	247,590	15,875
Permanent	35	19	(16)
Total	\$327,176	\$343,535	\$16,359

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,150	\$100,509	\$641
Special Revenue	294,400	223,785	70,615
Permanent	250	0	250
Total	\$395,800	\$324,294	\$71,506

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,855	\$101,208	(\$647)
Special Revenue	194,981	222,649	27,668
Debt Service	28,560	0	(28,560)
Permanent	0	38	38
Total	\$325,396	\$323,895	(\$1,501)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,409	\$106,872	(\$9,463)
Special Revenue	222,400	188,406	33,994
Debt Service	29,010	336	28,674
Permanent	286	0	286
Total	\$349,105	\$295,614	\$53,491

The Township had expenditures exceeding appropriations within the General Fund and Road and Bridge Fund – Special Revenue Fund Type at December 31, 2013 and 2012 contrary to Ohio Revised Code Section 5705.41(B), appropriations exceeded estimated resources within the General Fund, Fire Operation-Special Revenue Fund Type and Bond Retirement Fund at December 31, 2013 and 2012 contrary to Ohio Revised Code Section 5705.39. The General Fund had a negative cash balance contrary to Ohio Revised Code Section 5705.10(H) at December 31, 2013.

**PERRY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Township Equipment Bonds	\$11,463	3.50%
Road Equipment Bonds	10,347	3.51%
Tractor Lease	2,325	0%
Total	\$24,135	

General obligation bonds were issued to finance the purchase of a 1990 Ford Truck and a 2002 Dump Truck for Township road maintenance. The Township entered into a lease purchase agreement for the purchase of a Tractor Mower for road maintenance. The Township's taxing authority collateralized the bonds and lease. Amortization of the above debt, including interest, is scheduled as follows:

	Township Equipment Bonds	Road Equipment Bonds	Tractor/Mower Lease
Year ending December 31:			
2014	\$4,095	\$3,697	\$1,380
2015	4,095	3,697	945
2016	4,095	3,697	0
Total	\$12,285	\$11,091	\$2,325

6. RETIREMENT SYSTEMS

The Township's employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. 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 2013 and 2012, 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, 2013.

**PERRY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

7. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



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

Perry Township
Licking County
6870 Licking Valley Road NE
Frazeyburg, Ohio 43822

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Perry Township, Licking County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 30, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and also implemented GASB Statement No. 54.

Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2013-01, 2013-02 and 2013-06 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, opining 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 2013-01 through 2013-05.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Township's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shuman & Snow, Inc.

March 30, 2014

**PERRY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-01
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Noncompliance Citation/Material Weakness

Ohio Administrative Code Section 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Revised Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2013, the Board of Trustees entered into a lease-purchase agreement totaling \$4,125 for the purpose of purchasing a tractor/mower. Furthermore, the Board of Trustees authorized the issuance of bonds totaling \$15,000 for the purpose of purchasing road equipment to be used for Township roads. The financial institutions associated with these debt issuances made the checks payable directly to the vendor. The Township Fiscal Officer did not post the debt proceeds or the capital outlay expenditure within its accounting records. As a result, receipts and disbursements were understated within the Township’s accounting records and financial statements for 2013 and 2012.

Additionally, the Township did not obtain an amended certificate for the debt proceeds and the Township Trustees did not amend appropriations for the amounts identified.

Adjustments with which the Township agrees are reflected in the accompanying financial statements. This also resulted in violation of Ohio Revised Code Section 5705.41(B) within the Special Revenue Road Bridge Fund as this activity was not budgeted by the Township Trustees. (See Finding No. 2013-03).

We recommend the Township record all debt proceeds and the corresponding expenditures in the Township’s accounting records.

Officials Response: The Township will develop procedures to account for these types of transactions.

**PERRY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-02
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Noncompliance Citation/Material Weakness

Ohio Revised Code Section 505.24(C) requires, in part, that whenever members of a board of township trustees are compensated per diem and not by annual salary, the board shall establish, by resolution, a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days.

By unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Auditor of State of Ohio Audit Bulletin 2011-07 outlines changes set forth within House Bill Number 153 which requires that each township trustee or township fiscal officer that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. Sample certifications that may be used are included as an addendum to Auditor of State of Ohio Audit Bulletin 2011-07.

The Township Trustees did not prepare any payroll certifications during all of 2013 or 2012 as required beginning January 1, 2012.

Also, the Township should record all employees' fringe benefits to the funds or budgets from which the officers or employees are compensated for services each year. Since the Trustees were improperly paid out of other funds other than the General Fund, all fringe benefits should have been charged to the General Fund as well.

An adjustment is hereby issued against the Perry Township General Fund, in the amount of \$18,700 for 2013 and \$19,489 for 2012 and in favor of the Perry Township Gasoline Tax Fund, Special Revenue Fund type.

These adjustments have been posted to the accounting system and the financial statements of the Township.

We recommend the Township review Auditor of State Bulletin 2011-007 and adopt formal administrative procedures regarding documenting the time spent by the Fiscal Officer and the Board of Trustees on various duties. Once these administrative procedures are established, Trustee salaries and related benefits should be charged to the applicable funds in accordance with the certification of the allocation of payroll.

Official's Response: The Township will implement procedures to certify payroll expenditures paid for elected officials from restricted funds.

**PERRY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-03
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Noncompliance Citation

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. We noted the following funds which had expenditures exceeding appropriations at December 31, 2013:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Special Revenue – Road & Bridge Fund – Capital Outlay	\$4,125	\$0	(\$4,125)
General Fund – Trustees – Salaries	25,663	10,200	(15,463)
General Fund – Trustees – Medical	35,873	35,425	(448)

We noted the following funds which had expenditures exceeding appropriations at December 31, 2012:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Special Revenue – Road and Bridge Fund – Capital Outlay	\$28,560	\$0	(\$28,560)
General Fund – Trustees – Salaries	24,193	9,129	(15,064)
General Fund – Trustees – Medical	41,201	37,712	(3,489)

We recommend that the Township comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary. Furthermore, the Township should record and budget all financial transactions which are paid on-behalf of the Township within its accounting records as described in Finding Number 2013-01. The Township should certify, budget and account for elected officials salaries paid from restricted funds as identified in also Finding Number 2013-02.

Officials Response: The Township will develop procedures to ensure expenditures do not exceed appropriations.

**PERRY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-04
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Noncompliance Citation

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources. The following fund had appropriations exceeding estimated resources at December 31, 2013:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Noncompliance</u>
Fire Operation-Special Revenue Fund Type	\$55,700	\$51,164	(\$4,536)
General Fund	101,150	95,724	(5,426)

The following fund had appropriations exceeding estimated resources at December 31, 2012:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Noncompliance</u>
Bond Retirement Fund (Fund 3101)	\$29,010	\$28,896	(\$114)

With appropriations exceeding estimated resources the Township may spend more funds than in the Treasury or process of collection and cause fund deficits. We recommend that the Township monitor the original budget to determine compliance with the Ohio Revised Code when the original budget is adopted.

Official's Response: The Township will adopt procedures to verify appropriations do not exceed estimated resources on an annual basis.

Finding Number	2013-05
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Noncompliance Citation

Ohio Revised Code Section 5705.10(H) indicates money paid into a fund must be used solely for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

As described in Finding 2013-02, the Township did not properly certify salaries of the Township Trustees for 2013 and 2012. Therefore audit adjustments were issued against the General Fund in favor of the Gasoline Tax Fund, Special Revenue Fund type. These audit adjustments caused the General Fund to have a negative cash balance of \$4,285 at December 31, 2013.

We recommend the Township monitor fund balances and record transactions in the correct funds to avoid negative cash balances during the year.

Official's Response: The Township will adopt procedures and monitor fund balances to avoid negative cash balances during the year.

**PERRY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-06
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Accounting and Financial Reporting - Material Weakness

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. Based on our audit we noted the following reclassifications and adjustments which were necessary to properly present the Township's financial statements as presented for audit:

December 31, 2013

- Audit reclassifications of \$9,996 and \$13,485 were necessary for the General and Special Revenue Funds, respectively, to properly present rollback and homestead as intergovernmental receipts contrary to real estate taxes as recorded by the Township.
- An audit adjustment of \$4,125 was necessary to record lease-purchase proceeds and capital outlay within the Road and Bridge-Special Revenue Fund for the purchase of a tractor/mower paid on-behalf of the Township. (See Finding No. 2013-01).
- Audit reclassifications of \$558 and \$1,800 were necessary within the Road and Bridge-Special Revenue Fund type to properly present debt service principal and interest payments.
- An audit adjustment of \$18,700 was necessary to properly record payroll expenditures within the General Fund (See Finding No. 2013-02).
- An audit reclassification of \$2,500 was necessary to properly present the trust corpus as nonspendable fund balance contrary to restricted fund balance as presented in the Permanent Fund.

December 31, 2012

- Audit adjustments of \$15,000 and \$13,560 were necessary to record bond proceeds and capital outlay within the Road and Bridge Fund-Special Revenue Fund type for the purchase of a truck and road equipment paid on-behalf of the Township.
- An audit adjustment of \$19,489 was necessary to properly record payroll expenditures within the General Fund (See Finding No. 2013-02).
- An audit reclassification of \$2,500 was necessary to properly present the trust corpus as nonspendable fund balance contrary to restricted fund balance as presented in the Permanent Fund.

We recommend the Township develop consistent procedures to record financial activity within its accounting ledgers and review the financial statements as presented for audit.

Officials Response: The Township will review the Uniform Accounting Network manual as well as the Ohio Township Handbook specific to revenue and expenditure codes for posting transactions.



Dave Yost • Auditor of State

PERRY TOWNSHIP

LICKING 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
MAY 27, 2014**