



Dave Yost • Auditor of State

PERRY TOWNSHIP
PIKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Perry Township
Pike County
2623 State Route 41 P.O. Box 96
Cynthiana, Oh 45624

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Perry Township, Pike County, (the Township) as of and for the years ended December 31, 2014 and 2013.

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 opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, 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, Pike County as of December 31, 2014 and 2013, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, 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.



Dave Yost
Auditor of State

Columbus, Ohio

December 1, 2015

**PERRY TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------------|-------------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$13,796 | \$23,379 | \$37,175 |
| Intergovernmental | 28,273 | 90,165 | 118,438 |
| Earnings on Investments | 23 | 9 | 32 |
| Miscellaneous | 756 | 1,877 | 2,633 |
| <i>Total Cash Receipts</i> | <u>42,848</u> | <u>115,430</u> | <u>158,278</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 22,474 | 0 | 22,474 |
| Public Safety | 13,200 | 13,625 | 26,825 |
| Public Works | 1,781 | 120,242 | 122,023 |
| Health | 42 | 5,566 | 5,608 |
| <i>Total Cash Disbursements</i> | <u>37,497</u> | <u>139,433</u> | <u>176,930</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>5,351</u> | <u>(24,003)</u> | <u>(18,652)</u> |
| Other Financing Receipts (Disbursements) | | | |
| Other Financing Sources | 0 | 1,501 | 1,501 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>1,501</u> | <u>1,501</u> |
| <i>Net Change in Fund Cash Balances</i> | 5,351 | (22,502) | (17,151) |
| <i>Fund Cash Balances, January 1</i> | <u>22,192</u> | <u>140,063</u> | <u>162,255</u> |
| Fund Cash Balances, December 31 | | | |
| Nonspendable | 0 | 0 | 0 |
| Restricted | 0 | 117,561 | 117,561 |
| Committed | 0 | 0 | 0 |
| Assigned | 27,543 | 0 | 27,543 |
| Unassigned (Deficit) | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$27,543</u></u> | <u><u>\$117,561</u></u> | <u><u>\$145,104</u></u> |

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

**PERRY TOWNSHIP
PIKE COUNTY**

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$10,076 | \$26,302 | \$36,378 |
| Intergovernmental | 33,868 | 102,310 | 136,178 |
| Earnings on Investments | 15 | 31 | 46 |
| Miscellaneous | 1,138 | 150 | 1,288 |
| <i>Total Cash Receipts</i> | <u>45,097</u> | <u>128,793</u> | <u>173,890</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 37,631 | 0 | 37,631 |
| Public Safety | 2,000 | 67,418 | 69,418 |
| Public Works | 1,531 | 83,701 | 85,232 |
| Health | 0 | 5,260 | 5,260 |
| <i>Total Cash Disbursements</i> | <u>41,162</u> | <u>156,379</u> | <u>197,541</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>3,935</u> | <u>(27,586)</u> | <u>(23,651)</u> |
| Other Financing Receipts (Disbursements) | | | |
| Sale of Capital Assets | 0 | 470 | 470 |
| Transfers In | 0 | 1,000 | 1,000 |
| Transfers Out | (1,000) | 0 | (1,000) |
| Other Financing Sources | 0 | 1,980 | 1,980 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(1,000)</u> | <u>3,450</u> | <u>2,450</u> |
| Extraordinary Item | 825 | 0 | 825 |
| <i>Net Change in Fund Cash Balances</i> | 3,760 | (24,136) | (20,376) |
| <i>Fund Cash Balances, January 1</i> | <u>18,432</u> | <u>164,199</u> | <u>182,631</u> |
| Fund Cash Balances, December 31 | | | |
| Nonspendable | 0 | 0 | 0 |
| Restricted | 0 | 140,063 | 140,063 |
| Committed | 0 | 0 | 0 |
| Assigned | 1,493 | 0 | 1,493 |
| Unassigned (Deficit) | 20,699 | 0 | 20,699 |
| <i>Fund Cash Balances, December 31</i> | <u>\$22,192</u> | <u>\$140,063</u> | <u>\$162,255</u> |

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

**PERRY TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 the Perry Township, Pike 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, fire protection and emergency medical services. The Township contracts with the Village of Bainbridge to provide fire services and Paxton Township to provide ambulance 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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 only investment held during the audit period was a Certificate of Deposit.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

PERRY TOWNSHIP
PIKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

Fire District - This fund receives property tax money and Intergovernmental Revenue for fire support.

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

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. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. 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.

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.

**PERRY TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

G. 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.

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:

| | 2014 | 2013 |
|-------------------------|-----------|-----------|
| Demand deposits | \$144,104 | \$161,255 |
| Certificates of deposit | 1,000 | 1,000 |
| Total deposits | 145,104 | 162,255 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**PERRY TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$46,707 | \$42,848 | (\$3,859) |
| Special Revenue | 114,534 | 116,931 | 2,397 |
| Total | \$161,241 | \$159,779 | (\$1,462) |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$48,200 | \$37,497 | \$10,703 |
| Special Revenue | 257,050 | 139,433 | 117,617 |
| Total | \$305,250 | \$176,930 | \$128,320 |

| 2013 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$44,100 | \$45,922 | \$1,822 |
| Special Revenue | 130,404 | 132,243 | 1,839 |
| Total | \$174,504 | \$178,165 | \$3,661 |

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$43,350 | \$42,162 | \$1,188 |
| Special Revenue | 280,250 | 156,379 | 123,871 |
| Total | \$323,600 | \$198,541 | \$125,059 |

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.

**PERRY TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Retirement Systems

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.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

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, 2013 and 2014 (the latest information available):

| | <u>2013</u> | <u>2014</u> |
|--------------|--------------|--------------|
| Assets | \$34,954,286 | \$35,970,263 |
| Liabilities | 8,486,363 | 8,912,432 |
| Net Position | \$26,467,923 | \$27,057,831 |

**PERRY TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Risk Management (Continued)

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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.

| Contributions to OTARMA | |
|--------------------------------|--------------------|
| <u>2013</u> | <u>2014</u> |
| \$3,973 | \$3,982 |

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for are presented below:

| 2014 Fund Balances | General | Special Revenue | Total |
|---|------------------------|-------------------------|-------------------------|
| Amounts Identified As: | | | |
| Restricted For: | | | |
| Cemetery | \$ 0 | \$ 29,938 | \$ 29,938 |
| Fire Operations | 0 | 57,063 | 57,063 |
| Road and Bridge Maintenance and Improvement | 0 | 30,560 | 30,560 |
| Unassigned | 0 | 0 | 0 |
| Assigned | 27,543 | | 27,543 |
| Total Fund Balance | <u>\$27,543</u> | <u>\$117,561</u> | <u>\$145,104</u> |

**PERRY TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Fund Balances (Continued)

| 2013 Fund Balances | General | Special Revenue | Total |
|---|------------------------|-------------------------|-------------------------|
| Amounts Identified As: Restricted For: | | | |
| Cemetery | \$ 0 | \$ 24,690 | \$ 24,690 |
| Fire Operations | 0 | 54,187 | 54,187 |
| Road and Bridge Maintenance and Improvement | 0 | 61,186 | 61,186 |
| Unassigned | 20,699 | 0 | 20,699 |
| Assigned | 1,493 | 0 | 1,493 |
| Total Fund Balance | <u>\$22,192</u> | <u>\$140,063</u> | <u>\$162,255</u> |

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Dave Yost • Auditor of State

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

Perry Township
Pike County
2623 State Route 41 P.O. Box 96
Cynthiana, Ohio 45624

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 the Perry Township, Pike County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated December 1, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 a material weakness and a significant deficiency.

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 finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

Entity'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 response 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.



Dave Yost
Auditor of State

Columbus, Ohio

December 1, 2015

**PERRY TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

We noted the following conditions related to the Township accounting and financial reporting:

- Throughout 2013 and 2014, the Township held a \$1,000 cemetery bequest certificate of deposit that was not included in the fund balances.
- Mutual aid receipts from Pike County in the amount of \$7,700 were posted as charges for services instead of intergovernmental in special revenue funds during 2013 and in the general fund in the amount of \$10,750 during 2014.
- Expenditures in the amount of \$13,200 in 2014 and \$2,000 in 2013 in the general fund were posted as general government and should have been public safety.
- Beginning balances in the general fund and the EMS fund were incorrectly stated due to errors in converting from a manual system to the UAN system in 2013. The errors were \$1,000 in each fund.

The Township adjusted the accompanying financial statements and Township records for these items.

Inaccurate recording of transaction and assets reduces management's ability to monitor of Township assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend that the Township accurately record financial transactions.

Officials' Response:

- Since being appointed to serve as Fiscal Officer for Perry Township, I have always thought the \$1,000 Cemetery Bequest CD was part of the Cemetery Bequest Fund Balance shown on my cash journal. In other words, if it showed that we had \$2,250 in the Cemetery Bequest fund, I thought \$1,000 of that was the CD. I was never told anything different. When I would do a fund status report after conversion to UAN, it would show up that way, so I thought everything was correct. Since the Board of Trustees agreed to put the \$1,000 in a CD back in 2009, and it has been only earning \$1.37 per 11 months, they have agreed to cash in the CD and put it back into the Cemetery Bequest fund. I have asked counsel from our Prosecuting Attorney and have his consent as well.

**FINDING NUMBER 2014-001
(Continued)**

- Concerning how Mutual Aid receipts were posted: I asked the audit manager from the firm who conducted our previous audits how to post these and she advised me to use the code for contracted services. I have email confirmation to prove this.
- Concerning posting errors for expenditures: Since I was going to convert to UAN in the near future, I was advised to start posting UAN codes instead of the old alpha-numeric codes, even though I was still using a manual system. I posted expenditures for EMS runs as UAN code 1000-230-300 in my cash journal. Why it didn't show up under Public Safety in the UAN reports might be due to UAN conversion.
- Concerning the fund balance errors while converting to UAN, I was under the guidance of a paid UAN visiting clerk and there was some confusion on how to post a \$1,000 transfer from the General fund to offset the negative \$1,000 balance in the EMS fund.

FINDING NUMBER 2014-002

Noncompliance/ Significant Deficiency

Ohio Rev. Code, Section 505.24(C), requires Trustees receiving compensation by annual salary to be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee is required to 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. To be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. Trustees must complete a 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. If 100% of the compensation of the township trustee is to be paid from the general fund, no certification is required.

The Township paid 100% of the Trustee salaries from the Gas Tax fund. As explained in Auditor of State Bulletin 2013-002, Township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law. The Townships will need to make adjustments to properly allocate the officials' salaries for the entire period.

The Board of Trustees did not pass a resolution to be paid on a salary basis in equal monthly installments for 2013 or 2014. However, payroll certifications were prepared showing salary to be charged 100% to the Gasoline Tax Fund. This resulted in the following adjustments to be made to the financial statements.

- In 2013, the Township charged Trustee compensation in the amount of \$1,531 to the Gasoline Tax Fund that should have been charged to the General Fund.
- In 2014, the Township charged Trustee compensation in the amount of \$1,781 to the Gasoline Tax Fund that should have been charged to the General Fund.

Adjustments were made to the accompanying financial statements and Township records for these items.

**FINDING NUMBER 2014-002
(Continued)**

Failure to either charge 100% of Trustee compensation to the General Fund or to provide documentation that certifies the percentage of time Trustees spent on services other than those related to the General Fund could lead to the Township being required to make financial record adjustments which could lead to negative fund balances which could lead to Fiscal Caution, Watch, or Emergency.

We recommend that if Trustees intend to be paid on a salary basis in equal monthly installments, the board of trustees *unanimously* pass a resolution annually to allow it. Also, if Trustees are intended to be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. Furthermore, we recommend the Trustee's payroll certifications be completed for each month in which they are to be paid from any fund(s) other than the general fund and the Fiscal Officer allocate their payroll according to these certifications. If no certifications are provided, then 100% of the compensation of the Trustee should be paid from the general fund.

Officials' Response:

I was unaware of Auditor of State Bulletin 2013-02 until August or September 2015. Prior to the 2013-2014 audit, I informed my auditors that I had paid 100% from the Gasoline fund. We have since passed Retro-active Resolutions stating an approved payroll split for the trustees compensation and also for the salary method of compensation. The trustees also have signed retro-active payroll certifications for 2013 and 2014 with the approved payroll split. We will continue to comply by yearly presenting resolutions to be passed approving the salary method of compensation and the approved payroll split.

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**PERRY TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2012-001 | Financial Statements not accurately reported. | No | 2014-001 |
| 2012-002 | ORC 5705.10 (H) Monies being used for expenditures of other funds. | Yes | |

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Dave Yost • Auditor of State

PERRY TOWNSHIP

PIKE 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
DECEMBER 15, 2015**