

PERRY TOWNSHIP

ALLEN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

FISCAL YEARS AUDITED UNDER GAGAS: 2006 & 2005

**Caudill & Associates, CPA's**

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





# Mary Taylor, CPA

Auditor of State

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

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

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 6, 2007

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**PERRY TOWNSHIP  
ALLEN COUNTY**

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# Caudill & Associates, CPA's

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

Member American Institute of Certified Public Accountants

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## Independent Auditor's Report

Board of Trustees  
Perry Township  
P.O. Box 955  
Lima, Ohio 45802

We have audited the accompanying financial statements of Perry Township, Allen County (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township, as of the December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
June 30, 2007

**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, 2006**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 255,720	\$ 335,631	\$ -	\$ 591,351
Licenses, Permits, and Fees	3,623	-	-	3,623
Fines, Forfeitures, and Penalties	24,482	-	-	24,482
Intergovernmental	98,521	236,816	60,563	395,900
Special Assessments	-	6,942	-	6,942
Charges for Services	-	74,956	-	74,956
Earnings on Investments	1,793	598	-	2,391
Miscellaneous	6,513	13,436	-	19,949
<b>Total Cash Receipts</b>	<b>390,652</b>	<b>668,379</b>	<b>60,563</b>	<b>1,119,594</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	238,157	-	-	238,157
Public Safety	55,377	300,839	-	356,216
Public Works	35,500	176,667	60,563	272,730
Health	19,468	-	-	19,468
Debt Service:				
Redemption of Principal	-	43,296	-	43,296
Interest and Fiscal Charges	-	4,859	-	4,859
Capital Outlay	25,716	62,288	-	88,004
<b>Total Cash Disbursements</b>	<b>374,218</b>	<b>587,949</b>	<b>60,563</b>	<b>1,022,730</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>16,434</b>	<b>80,430</b>	<b>-</b>	<b>96,864</b>
<b>Other Financing Receipts/(Disbursements)</b>				
Sale of Assets	-	600	-	600
Transfers-In	-	18,200	-	18,200
Transfers-Out	(18,200)	-	-	(18,200)
<b>Total Other Financing Receipts/ (Disbursements)</b>	<b>(18,200)</b>	<b>18,800</b>	<b>-</b>	<b>600</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(1,766)</b>	<b>99,230</b>	<b>-</b>	<b>97,464</b>
<b>Fund Cash Balance, January 1</b>	<b>114,518</b>	<b>227,680</b>	<b>-</b>	<b>342,198</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 112,752</b>	<b>\$ 326,910</b>	<b>\$ -</b>	<b>\$ 439,662</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, 2005**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 243,792	\$ 308,086	\$ -	\$ 551,878
Licenses, Permits, and Fees	14,542	-	-	14,542
Fines, Forfeitures and Penalties	11,463	-	-	11,463
Intergovernmental	120,112	216,270	58,799	395,181
Special Assessments	-	4,817	-	4,817
Charges for Services	-	65,460	-	65,460
Earnings on Investments	831	356	-	1,187
Miscellaneous	704	4,535	-	5,239
<b>Total Cash Receipts</b>	<b>391,444</b>	<b>599,524</b>	<b>58,799</b>	<b>1,049,767</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	217,322	-	-	217,322
Public Safety	64,012	375,002	-	439,014
Public Works	34,425	153,451	58,799	246,675
Health	20,061	-	-	20,061
Human Services	15,081	-	-	15,081
Debt Service:				
Redemption of Principal	-	133,411	-	133,411
Interest and Fiscal Charges	-	6,858	-	6,858
Capital Outlay	8,253	43,846	-	52,099
<b>Total Cash Disbursements</b>	<b>359,154</b>	<b>712,568</b>	<b>58,799</b>	<b>1,130,521</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>32,290</b>	<b>(113,044)</b>	<b>-</b>	<b>(80,754)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Assets	-	2,090	-	2,090
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>-</b>	<b>2,090</b>	<b>-</b>	<b>2,090</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>32,290</b>	<b>(110,954)</b>	<b>-</b>	<b>(78,664)</b>
Fund Cash Balance, January 1	82,228	338,634	-	420,862
<b>Fund Cash Balance, December 31</b>	<b>\$ 114,518</b>	<b>\$ 227,680</b>	<b>\$ -</b>	<b>\$ 342,198</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, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Perry Township, Allen 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's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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. Cash and Investments**

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

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:

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

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

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

Fire Fund - This fund receives tax money to provide for protection within the Township.

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following Capital Project Fund:

Issue II Fund – The Township received a grant from the State of Ohio for road work.

**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.

**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. All purchase orders were closed at year end.

A summary of 2006 and 2005 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.

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2006	2005
Demand deposits	\$413,678	\$317,450
STAR Ohio	25,984	24,748
Total deposits and investments	\$439,662	\$342,198

**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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$381,657	\$390,652	\$8,995
Special Revenue	768,534	687,179	(81,355)
Capital Project	0	60,563	60,563
Total	\$1,150,191	\$1,138,394	(\$11,797)

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$473,671	\$392,418	\$81,253
Special Revenue	940,576	587,949	352,627
Capital Project	60,563	60,563	0
Total	\$1,474,810	\$1,040,930	\$433,880

**2005 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$359,798	\$391,444	\$31,646
Special Revenue	604,612	610,614	6,002
Capital Project	0	58,799	58,799
Total	\$964,410	\$1,060,857	\$96,447

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$429,972	\$359,154	\$70,818
Special Revenue	892,147	712,568	179,579
Capital Project	58,799	58,799	0
Total	\$1,380,918	\$1,130,521	\$250,397

**4. PROPERTY TAX**

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

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

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

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

**5. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5 percent, respectively, of their gross salaries. The Township contributed an amount equaling 13.70 and 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. TRANSFERS**

**2006**

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 18,200
Road and Bridge Fund	10,700	-
Enforcement and Education	7,500	-
<b>Total</b>	<u><u>\$ 18,200</u></u>	<u><u>\$ 18,200</u></u>

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

**8. DEBT**

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 next payment of \$14,264 is scheduled June of 2007 of which \$2,127 will be for interest.

	<u>Principal</u>	<u>Interest Rate</u>
Lease/Purchase	<u><u>\$38,461</u></u>	5.53%

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2007	\$14,264
2008	14,264
2009	14,264
<b>Total</b>	<u><u>\$42,792</u></u>

In 2005, the Township entered into a lease purchase agreement with Republic First National Corporation to purchase an ambulance for \$91,660 with the first payment due February 1, 2006. The amount of principal paid in 2006 was \$29,032.

	<u>Principal</u>	<u>Interest Rate</u>
Lease/Purchase	<u><u>\$62,628</u></u>	5.37%

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2007	\$33,890
2008	33,890
<b>Total</b>	<u><u>\$67,780</u></u>

**PERRY TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. DEBT (Continued)**

The debt obligation on the rescue pumper for the fire department was retired when the Township paid the principal balance of \$133,411 on March 14, 2005.

**9. COMPLIANCE**

Ohio Revised Code Sections 731.14 states that generally, all contracts made by the legislative authority of a municipal government for equipment, services, materials or supplies that exceeds \$25,000, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation.

The Township did not provide documentation to the auditors that the following contracts were properly bided: (1) Contract in 2005 for tank replacement to A.R.M.S., Inc. in the amount of \$35,096 and (2) In 2006, Contract for Breathing Air Compressor to Pro Air Inc. in the amount of \$25,800.

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. ORC 5705.36 requires the Township to obtain a increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 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 fiscal year 2005, appropriations for the Motor Vehicle License Tax Fund, the Lighting District Assessment Fund and the Issue II Fund exceeded the amount available for appropriations at the fund level. In fiscal year 2006, appropriations for the Fire District Fund, the Enforcement and Education Fund and Issue II Fund exceeded the amount available for appropriations at the fund level.

The Ohio Revised Code Section 5705.39 requires in part that total appropriations from each fund shall not exceed the total estimated resources. In fiscal year 2005 and 2006, total appropriations for the Issue II Fund exceeded the total estimated resources.

Expenditures exceeded appropriations in the General Fund and Enforcement and Education Fund at the legal level of control in 2005 and in the General Fund and Road and Bridge Fund in 2006 contrary to Section 5705.41 (B).

10% of the expenditures in 2006 and 19% in 2005 tested were not properly certified contrary to Section 5705.41 (D).

**10. CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition

**11. SUBSEQUENT EVENT**

On May 15, 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. The Township was awarded two fire fighters grant in the amount of \$65,563 in December 2006 but as of the date of this audit report the Township has not received the proceeds of the grants.

# Caudill & Associates, CPA's

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

Member American Institute of Certified Public Accountants

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

## **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***

Board of Trustees  
Perry Township  
P.O. Box 955  
Lima, Ohio 45802

We have audited the accompanying cash-basis financial statements of Perry Township (the Township), Allen County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 30, 2007, wherein we noted the Township uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2006-006.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.



Perry Township  
Allen County

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*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items No. 2006-001 through 2006-005.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated June 30, 2007.

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.

This report is intended for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
June 30, 2007

**PERRY TOWNSHIP  
ALLEN COUNTY**

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

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Revised Code Sections 731.14 states that generally, all contracts made by the legislative authority of a municipal government for equipment, services, materials or supplies that exceeds \$25,000, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation.

The Township did not provide documentation to the auditors that the following contracts were properly bid: (1) Contract in 2005 for tank replacement to A.R.M.S., Inc. in the amount of \$35,096 and (2) In 2006, Contract for Breathing Air Compressor to Pro Air Inc. in the amount of \$25,800.

We recommend that the Township should follow proper bidding procedures when entering into all contracts and to organize and file all documentation on the contract bidding procedures. If exceptions apply, we recommend that the Township document why the Contract was not competitively bid.

**Township Response:**

The Township will appropriately follow the auditor's recommendation and keep documentation regarding competitive bidding procedures.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

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. ORC 5705.36 requires the Township to obtain a increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 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 fiscal year 2005, appropriations for the Motor Vehicle License Tax Fund, the Lighting District Assessment Fund and the Issue II Fund exceeded the amount available for appropriations at the fund level. In fiscal year 2006, appropriations for the Fire District Fund, the Enforcement and Education Fund and the Issue II Fund exceeded the amount available for appropriations at the fund level.

Failure to monitor appropriations versus available resources could result in expenditures exceeding available resources and possibly result in deficit spending. The Board of Trustees should monitor the budget versus actual reports and approve modifications if necessary. Approval of the modifications should be enacted and documented in the Township Minutes.

**Township Response:**

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

**PERRY TOWNSHIP  
ALLEN COUNTY**

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

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

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

The Ohio Revised Code Section 5705.39 requires in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriations 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 2005 and 2006, total appropriations for the Issue II Fund 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.

**FINDING NUMBER 2006-004**

**Noncompliance Citation**

**The Ohio Revised Code Section 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2005 and 2006, the following funds had expenditures which exceeded appropriations at the legal level of control:

**2005**

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>General:</b>			
Other Expenses	\$16,261	\$20,815	(\$4,554)
Other Salaries	36,000	38,869	(2,869)
<b>Enforcement and Education:</b>			
Other Salaries	2,000	7,444	(5,444)

**2006**

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>General:</b>			
Other Salaries	\$7,000	\$18,036	(\$11,036)
Transfers-Out	15,000	18,200	(3,200)
<b>Road and Bridge:</b>			
Other Salaries	36,000	39,717	(3,717)

**PERRY TOWNSHIP  
ALLEN COUNTY**

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

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-004 (Continued)**

**Township Response:**

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

**FINDING NUMBER 2006-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

19% of the expenditures tested were not properly certified in 2005 and 10% in 2006.

We recommend the Township implement policies to ensure that all purchases first have monies certified by the Fiscal Officer before purchasing or ordering an item. We also recommend the use of a "then and now" certificate in instances of emergency or absence of proper authority.

**Township Response:**

Township officials will monitor the proper certifying of expenditures more closely.

**PERRY TOWNSHIP  
ALLEN COUNTY**

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

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

**FINDING NUMBER 2006-006**

**Significant Deficiency – Time Sheets**

In 2006 and 2005, the Police, Fire and Street Maintenance Department had numerous timesheets that were not signed by the supervisor and employee. Also, only the aggregate amount of hours worked per employee by month was identified and the days of the month worked were not identifiable.

Failure to have time sheets not signed by the supervisor and employee for the Police, Fire and Street Maintenance Department could lead to errors and discrepancies in hours compensated. Also, not having more detail information about the days of the month worked could potentially lead to payroll liabilities for the Township such as worker compensation obligations.

The Trustees should develop and adopt appropriate procedures to ensure that timesheets are signed by the supervisor and employee and the hours worked by each employee are identifiable for each day worked.

**Township Response:**

Time sheets are normally signed by management. This oversight will be addressed by management.

**Perry Township**  
**Allen County**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Years Ended December 31, 2006 and 2005*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC Section – 505.24 – Township Clerk Salary Overpayment	Yes	N/A
2004-002	ORC Section – 505.24 – Township Trustee Overpayment	Yes	N/A
2004-003	Policy adopted December 29, 1998 for sick and vacation leave.	No	Finding for Recovery for \$321.20 not repaid.
2004-004	Policy adopted December 29, 1998 for sick and vacation leave.	Yes	N/A



**Mary Taylor, CPA**  
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  
SEPTEMBER 18, 2007**