



**PERRY TOWNSHIP
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 1998	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 1997	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Second Floor
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Perry Township
7125 Sawmill Road
Dublin, Ohio 43017

We have audited the accompanying financial statements of Perry Township, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 1998 and December 31, 1997. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Perry Township, Franklin County, Ohio, as of December 31, 1998 and December 31, 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 1999 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 grants.

This report is intended solely for the information and use of the management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

September 10, 1999

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only) Total</u>
Cash Receipts:			
Local Taxes	\$141,264	\$1,418,630	\$1,559,894
Charges for Services	22,344	1,500,000	1,522,344
Intergovernmental	253,169	210,366	463,535
Interest	57,746	35,000	92,746
Miscellaneous	4,831	82,753	87,584
Total Cash Receipts	479,354	3,246,749	3,726,103
Cash Disbursements:			
General Government	347,586	0	347,586
Public Safty	37,714	2,424,664	2,462,378
Public Works	0	283,022	283,022
Health	21,436	0	21,436
Capital Outlay	72,378	100,095	172,473
Total Cash Disbursements	479,114	2,807,781	3,286,895
Total cash receipts over/(under) cash disbursements	240	438,968	439,208
Other Financing Receipts/(Disbursements):			
Other Sources	90,431	0	90,431
Total Other Financing Receipts/(Disbursements)	90,431	0	90,431
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	90,671	438,968	529,639
Fund Cash Balances, January 1, 1998	1,069,496	707,650	1,777,146
Fund Cash Balances, December 31, 1998	<u>\$1,160,167</u>	<u>\$1,146,618</u>	<u>\$2,306,785</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only) Total</u>
Cash Receipts:			
Local Taxes	\$319,794	\$2,021,870	2,341,664
Charges for Services	22,226	0	22,226
Intergovernmental	344,238	260,127	604,365
Interest	49,779	31,200	80,979
Miscellaneous	6,808	111,647	118,455
Total Cash Receipts	<u>742,845</u>	<u>2,424,844</u>	<u>3,167,689</u>
Cash Disbursements:			
Current:			
General Government	431,779	0	431,779
Public Safty	180,402	2,135,867	2,316,269
Public Works	0	252,781	252,781
Health	20,753	0	20,753
Capital Outlay	61,547	103,552	165,099
Total Cash Disbursements	<u>694,481</u>	<u>2,492,200</u>	<u>3,186,681</u>
Total Cash Receipts Over/(Under) Cash Disbursements	48,364	(67,356)	(18,992)
Other Financing Receipts/(Disbursements):			
Other Finance Sources	1,437	0	1,437
Total other financing receipts/(disbursements)	<u>1,437</u>	<u>0</u>	<u>1,437</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	49,801	(67,356)	(17,555)
Fund Cash Balances, January 1, 1997	<u>1,019,695</u>	<u>775,006</u>	<u>1,794,701</u>
Fund Cash Balances, December 31, 1997	<u>\$1,069,496</u>	<u>\$707,650</u>	<u>\$1,777,146</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Perry Township, Franklin County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township invests interim monies available nightly into a sweep account. The monies are made available when needed for expenditure.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

Road & Bridge Fund - This fund receives real estate and personal property tax money for maintaining and repairing Township roads.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Special Levy (Fire) Fund - This fund receives personal property and real estate tax money to pay for fire coverage for the Township.

Special Levy (Police) Fund - This fund receives personal property and real estate tax money to pay for policing services provided to Township residents.

E. Budgetary Process

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

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.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent fiscal year.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits.

The carrying amount of cash and investments at December 31, 1998 and December 31, 1997 was as follows:

	1998	1997
Repurchase Agreement	\$2,306,785	\$1,777,146
Total Investments	\$2,306,785	\$1,777,146

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

Investments: Repurchase agreements are purchased on behalf of the Township nightly with available demand deposits. The repurchase agreement is collateralized with securities held by the pledging financial institution's trust department not in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1998 and December 31, 1997 was as follows:

1998 Budgeted VS. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$569,021	\$569,785	\$764
Special Revenue	2,926,497	3,246,749	320,252
Total	\$3,495,518	\$3,816,534	\$321,016

1998 Budgeted VS. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,453,987	\$479,114	\$974,873
Special Revenue	3,504,017	2,807,781	696,236
Total	\$4,958,004	\$3,286,895	\$1,671,109

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted VS. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$728,484	\$744,282	\$15,798
Special Revenue	2,407,192	2,424,844	17,652
Total	\$3,135,676	\$3,169,126	\$33,450

1997 Budgeted VS. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,573,272	\$694,481	\$878,791
Special Revenue	3,163,504	2,492,200	671,304
Total	\$4,736,776	\$3,186,681	\$1,550,095

The Township did not always certify expenditures before a purchase commitment was made.

The Trustees did not approve a transfer from the general fund to the special revenue fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Township. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

5. RETIREMENT SYSTEMS

The Township's fire personnel belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees and law enforcement officers belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code.

For 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 24.00% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1998.

6. RISK MANAGEMENT

The Township is a member of the Ohio Government Risk Management (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Township also provides health insurance coverage to full and part-time employees through a private carrier.

7. YEAR 2000 ISSUE

The Year 2000 issue is a result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Township's operations as early as fiscal year 1999.

The Township has completed an inventory of the computer systems and other electronic equipment necessary to conducting Township operations. The Township has identified the following systems:

Emergency Dispatching: The Township has remediated the emergency 911 dispatching services. Ameritech provided the Township an emergency contact number and the operating switch for the 911 board was replaced in March of 1999. The Township is responsible for remediating the systems and is solely responsible for any cost associated with this project.

Service Organization: ADP is a service organization processing Township payroll. ADP is responsible for the remediation of this system, and is solely responsible for any cost associated with this project.

Building Operation: The heating, cooling and ventilation systems for the administration and police and fire buildings do not require remediation. The contractor, Wolfe and Sons Heating and Cooling, assert these systems are Y2K compliant. The Township would be responsible for the remediation of this system, if necessary, and solely responsible for any cost associated with this project.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

7. YEAR 2000 ISSUE (Continued)

The Township leases the Auditor of State's Uniform Accounting Network (UAN) system for its financial operations. The Auditor of State is responsible for remediating this system and is solely responsible for any costs associated with this project. As of December 31, 1998, the Auditor of State was validating and testing the UAN system. The Auditor of State completed validation and testing in 1999, and the Township has now installed this version.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Township is or will be Year 2000 ready, that the Township's remediation efforts will be successful in whole or in part, or that parties with whom the Township does business will be year 2000 ready.

8. SUBSEQUENT EVENTS

The Township entered into a contract with Washington Township on October 1, 1997 to provide fire protection and emergency medical services. This contract was renewed on January 1, 1999. Under the renewed contract, Washington Township will pay Perry Township \$1,200,000 to provide these services from January 1, 1999 through December 31, 1999.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 East Gay Street
Second Floor
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199

**REPORT ON COMPLIANCE AND INTERNAL CONTROLS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Perry Township
7125 Sawmill Road
Dublin, Ohio 43017

We have audited the financial statements of Perry Township, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 1998 and December 31, 1997 and have issued our report thereon dated September 10, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-40625-001 and 1998-40625-002. We also noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 10, 1999.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1998-40625-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated September 10, 1999.

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

JIM PETRO
Auditor of State

September 10, 1999

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

Finding Number	1998-40625-001
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Certification of Funds

Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached a fiscal officer's certificate. The fiscal officer must certify that the amount required to meet such commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriated fund and free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides an exception to the above requirements:

Then and Now Certificate- If no certification is furnished as required, upon receipt of the fiscal officer's certificate that sufficient sum was both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract, but such authorization requires a resolution or ordinance to be passed within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Ninety-two percent of the disbursements tested were not certified by the fiscal officer until after payment was made. The Township did not use a "then and now" certificate, as allowable under this section.

Finding Number	1998-40625-002
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Fund Transfers

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 state that no transfers can not be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund of the subdivision by resolution of the taxing authority.

An advance of \$236,126 to the Fire District Fund, a Special Revenue Fund type, from the General Fund was made without the resolution of the taxing authority, i.e. Board of Trustee's approval. However, the adjustment to reverse the advance was approved by the Trustees and the accompany financial statements reflect this correction.

The Township should not make any advance until resolution/approval of the taxing authority/Board of Trustees.

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

Finding Number	1998-40625-003
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Purchase Requisitions

The Township uses purchase requisitions to document the purchase approval by the department heads. No purchase commitment is to be made, or a purchase order generated unless the purchase requisition is executed and approved by the particular department head, according to Township procurement policy.

Seventy percent of disbursements did not have any purchase requisition attached to the voucher packet. (The voucher packet consists of the invoice, the purchase requisition, purchase order, and okay to pay document.) This weakness could allow employees to make unauthorized purchases.

This weakness is enhanced by the fact the Township does not always certify expenditures before a purchase commitment is made. (Reference finding number 1998-40635-001) So many purchases are not approved before a purchase commitment is made.

We recommend the Township implement procedures to ensure no expenditure is made without the department director's approval, and that each voucher packet has attached to it an executed purchase requisition.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

PERRY TOWNSHIP

FRANKLIN 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
JANUARY 13, 2000**