



**Auditor of State  
Betty Montgomery**



**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

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**Auditor of State  
Betty Montgomery**

Perry Township  
Montgomery County  
3025 Johnsville-Brookville Road  
Brookville, Ohio 45309

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 27, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Perry Township  
Montgomery County  
3025 Johnsville-Brookville Road  
Brookville, Ohio 45309

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Montgomery County, (the Township), as of and for the years ended December 31, 2004 and 2003. 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Perry Township, Montgomery County, as of December 31, 2004 and 2003, 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 year ended December 31, 2004. 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 27, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

June 27, 2005



**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$33,499	\$578,955	\$612,454
Intergovernmental	73,118	218,402	291,520
Special Assessments		40	40
Charges for Services		198,555	198,555
Licenses, Permits, and Fees	10,564	5,110	15,674
Fines, Forfeitures, and Penalties	7,434		7,434
Earnings on Investments	1,510	360	1,870
Other Revenue	6,639	40,520	47,159
	<u>132,764</u>	<u>1,041,942</u>	<u>1,174,706</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	129,757		129,757
Public Safety		570,052	570,052
Public Works		377,950	377,950
Health		25,521	25,521
Debt Service:			
Redemption of Principal		20,000	20,000
Interest and Fiscal Charges		1,791	1,791
Capital Outlay		16,207	16,207
	<u>129,757</u>	<u>1,011,521</u>	<u>1,141,278</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over Disbursements	<u>3,007</u>	<u>30,421</u>	<u>33,428</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		1,397	1,397
Advances-In	9,625	72,429	82,054
Transfers-Out		(1,397)	(1,397)
Advances-Out	(9,625)	(72,429)	(82,054)
	<u>(9,625)</u>	<u>(72,429)</u>	<u>(82,054)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	3,007	30,421	33,428
Fund Cash Balances, January 1	<u>5,699</u>	<u>196,948</u>	<u>202,647</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$8,706</u></b>	<b><u>\$227,369</u></b>	<b><u>\$236,075</u></b>
Reserve for Encumbrances, December 31	<u>\$1,094</u>	<u>\$8,055</u>	<u>\$9,149</u>

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

PERRY TOWNSHIP  
MONTGOMERY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Interest	<u>\$320</u>
Total Operating Cash Receipts	<u>320</u>
Operating Income/(Loss)	<u>320</u>
Fund Cash Balances, January 1	<u>24,987</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$25,307</u></u></b>

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

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$23,876	\$476,671	\$500,547
Intergovernmental	127,063	335,936	462,999
Special Assessments		820	820
Charges for Services		181,859	181,859
Licenses, Permits, and Fees	9,538	2,098	11,636
Fines, Forfeitures, and Penalties	6,744		6,744
Earnings on Investments	1,218	752	1,970
Other Revenue	7,802	33,003	40,805
	<u>176,241</u>	<u>1,031,139</u>	<u>1,207,380</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	179,530		179,530
Public Safety		567,042	567,042
Public Works		529,094	529,094
Health		22,031	22,031
Capital Outlay	512	29,759	30,271
	<u>180,042</u>	<u>1,147,926</u>	<u>1,327,968</u>
Total Receipts (Under) Disbursements	<u>(3,801)</u>	<u>(116,787)</u>	<u>(120,588)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Sale of Notes		60,000	60,000
Advances-In		16,330	16,330
Advances-Out	(11,000)	(5,330)	(16,330)
Other Uses	(500)		(500)
	<u>(11,500)</u>	<u>71,000</u>	<u>59,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,301)	(45,787)	(61,088)
Fund Cash Balances, January 1	<u>21,000</u>	<u>242,735</u>	<u>263,735</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$5,699</b></u>	<u><b>\$196,948</b></u>	<u><b>\$202,647</b></u>

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

PERRY TOWNSHIP  
MONTGOMERY COUNTY

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Interest	<u>\$316</u>
Total Operating Cash Receipts	<u>316</u>
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>8,650</u>
Total Operating Cash Disbursements	<u>8,650</u>
Operating (Loss)	<u>(8,334)</u>
Fund Cash Balances, January 1	<u>33,321</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$24,987</u></u></b>

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

**PERRY TOWNSHIP]  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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, Montgomery 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, zoning, cemetery maintenance, refuse collection, emergency medical services, fire protection and police services. The Township contracts with the Village of New Lebanon and the City of Brookville to provide fire protection and ambulance 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.

Investments in STAR Ohio are recorded at share values reported by the mutual funds.

**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 (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:

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

**PERRY TOWNSHIP]  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

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

**Garbage and Waste Disposal Fund** - This fund assesses and collects fees for waste collection in the Township.

**Police District Fund** - The fund receives property tax money to provide police service to the Township.

**Fire District Fund** - The funds receives property tax money to provide fire and ambulance services to the Township.

**3. Fiduciary Fund (Trust Fund)**

This fund accounts for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

**Cemetery Bequest Fund** – A nonexpendable trust fund. Amounts donated are maintained in perpetuity. Investment earnings are used as specified by the donor.

**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 unencumbered 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. The Township did not encumber all expenditures commitments during 2004 and 2003 as required by Ohio law.

A summary of 2004 and 2003 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.

**PERRY TOWNSHIP]  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND 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:

	<b>2004</b>	<b>2003</b>
Demand deposits	\$236,075	\$202,647
STAR Ohio	25,307	24,987
Total deposits and investments	\$261,382	\$227,634

**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, 2004 and 2003 follows:

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$127,305	\$132,764	\$5,459
Special Revenue	1,131,723	1,043,339	(88,384)
Capital Projects	100,000	0	(100,000)
Fiduciary	0	320	320
Total	\$1,359,028	\$1,176,423	(\$182,605)

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$134,675	\$130,851	\$3,824
Special Revenue	1,344,769	1,020,973	323,796
Capital Projects	100,000	0	100,000
Total	\$1,579,444	\$1,151,824	\$427,620

**PERRY TOWNSHIP]  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2003 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$186,676	\$176,241	(\$10,435)
Special Revenue	1,262,507	1,091,139	(171,368)
Fiduciary	900	316	(584)
Total	\$1,450,083	\$1,267,696	(\$182,387)

<b>2003 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$205,534	\$180,542	\$24,992
Special Revenue	1,413,130	1,147,926	265,204
Fiduciary	33,321	8,650	24,671
Total	\$1,651,985	\$1,337,118	\$314,867

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Police Fund by \$14,808 and the Agricultural Easement Fund by \$162,000 for the year ended December 31, 2003. Also contrary to Ohio law, appropriations exceeded total estimated revenue in the Motor Vehicle License Fund and Police Fund by \$6,669 and \$62,411 respectively, at December 31, 2003; and the General Fund, Gas Tax Fund, Road and Bridge Fund, and Fire Fund by \$1,957, \$8,010, \$3,635, and \$5,933 respectively, at December 31, 2004.

**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.



**PERRY TOWNSHIP]  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Tax Anticipation Notes	\$40,000	2.66%

The Township purchased 2 police vehicles under a capital lease, the outstanding principal as of December 31, 2004 was \$27,741 at an interest rate of 5.10%.

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

	<b>Tax</b>	
	<b>Anticipation</b>	<b>Capital Lease</b>
Year ending December 31:	<b>Notes</b>	<b>Capital Lease</b>
2005	\$21,066	\$14,941
2006	20,533	14,941
Total	\$41,599	\$29,882

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of Law Enforcement contributed 10.1 percent of their wages. The Township contributed an amount equal to 16.7 percent of their wages to OPERS. All other employees, which are also OPERS members, contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**PERRY TOWNSHIP]  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**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 2003 and 2002 (the latest information available):

<b>Casualty Coverage</b>	<b>2003</b>	<b>2002</b>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<b>Property Coverage</b>	<b>2003</b>	<b>2002</b>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

**8. CONTINGENT LIABILITIES**

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

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



## Auditor of State Betty Montgomery

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

Perry Township  
Montgomery County  
3025 Johnsville-Brookville Road  
Brookville, Ohio 45309

To the Board of Trustees:

We have audited the financial statements of Perry Township, Montgomery County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 27, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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 judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-004 through 2004-006.

A material weakness is a reportable 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 misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable condition 2004-005 listed above to be a material weakness. In a separate letter to the Township's management dated June 27, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Township's management dated June 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

June 27, 2005

**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (\$3,000, effective April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 62% expenditures tested for 2004 and 2003 and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances.

**FINDING NUMBER 2004-001  
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2004-002**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure is to become 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.

There was no evidence in the County's budgetary files to indicate the Township submitted appropriation measures to the county budget commission. Accordingly, the Township had no certificates from the county auditor that appropriations from each fund did not exceed the total official estimate of resources.

In addition, the following funds had appropriations in excess of the amounts certified as available by the Amended Certificate of Estimated Resources:

<u>December 31, 2003</u>	<b>Total Estimated Resources</b>	<b>Total Appropriations</b>	<b>Variance</b>
Motor Vehicle License (2011)	\$6,442	\$13,111	(\$6,669)
Police (2081)	295,396	357,807	(62,411)
<b><u>December 31, 2004</u></b>			
General Fund (1000)	132,718	134,675	(1,957)
Gasoline Tax (2021)	81,547	89,557	(8,010)
Road and Bridge (2031)	218,496	222,131	(3,635)
Fire (2111)	187,641	193,574	(5,933)

To comply with this section and improve budgetary controls the Township should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

**FINDING NUMBER 2004-003**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall expend money unless it has been appropriated. As of September 30, 2003, the Township had two significant instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

<u>September 30, 2003</u>			
<u>Fund/Function/Object</u>	<u>Total Appropriated</u>	<u>Total Expended</u>	<u>Variance</u>
Police/Public Safety/Salaries	\$130,000	\$144,808	(\$14,808)
Agricultural Easements/Public Works/Other	0	162,000	(162,000)

The Township should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Township expends or certifies as available more resources than were legally appropriated by the Board of Trustees.

**FINDING NUMBER 2004-004**

**Posting of Township Revenue**

In some instances, the Township did not post revenue received within the month of receipt. We noted revenue received in May 2003, and September, October, and December of 2004, totaling \$14,810.37, which was never recorded on the Township's books. This caused a material misstatement of intergovernmental revenue on the financial reports prepared by the Township for both years. The Township also used incorrect account codes when posting receipts from intergovernmental sources to miscellaneous revenue and vice versa. We noted several immaterial errors between the amount received and the amount posted.

The Township should use care in posting all revenue amounts to the accounting records, determine the source and nature of each receipt and post amounts to the account code that coincides with the nature of the transaction, and perform monthly bank reconciliations researching any variances between the bank and books and correcting all errors found. The accompanying financial statements include the required audit adjustments for the 2004 and 2003 revenue amounts.

### **FINDING NUMBER 2004-005**

#### **Cash Management**

Our review of the Township's cash management procedures disclosed the following weaknesses:

- The December 31, 2004 bank reconciliation included \$16,971 in unreconciled variances which if properly investigated would have been found to represent unrecorded receipts and posting errors;
- There were numerous mispostings as to fund, line item, and amounts; direct (ACH) deposits and regular deposits made to the bank were not posted to the books;
- The December 31, 2003 reconciliation was not reconciled to the actual bank statement. We also noted that the investment balance per the books for both 2003 and 2004 did not agree to the actual bank statements;
- Checks outstanding for more than one year were included in the reconciliations, and no investigation of the reasons the checks had not cleared had been performed;
- Bank reconciliations were not performed for the months of March, June, and September of 2003, and October of 2004. We also noted that some of the reconciliations were performed as much as 7 weeks after the end of the month;
- A transfer between banks totaling \$8,650 was not taken off of the books in the investment account, however it was receipted into the checking account;

The Township's failure to complete timely and accurate monthly bank reconciliations resulted in significant errors going undetected for 2004 and 2003. The Township should implement policies and procedures to improve the monthly bank reconciliation process and provide for the prompt detection of posting errors.

### **FINDING NUMBER 2004-006**

#### **Supporting Documentation for Expenditures**

Supporting documentation (i.e. invoices, credit card receipts, bills of lading, etc.) is needed for management to determine purpose and proper authorization of each expenditure transaction. As public documents all supporting expenditure documentation should be maintained until disposed of in accordance with the Townships records retention policy.

The Township did not maintain original receipts/invoices or other supporting documentation for 27% of the 2004 and 2003 non-payroll expenditures. The lack of supporting documentation could result in the payment for goods or services that were not received or authorized by the Township.

The Township should develop and implement procedures for maintaining detailed invoices to support all expenditures and to provide assurance to management that these expenditures were for goods or services actually received for the benefit of the Township.



**PERRY TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	ORC 5705.39 Appropriations in excess of the amounts certified as available resources.	No	Not corrected and reissued as Finding Number 2004-002.
2002-002	ORC 5705.41(B) Expenditures in excess of the amounts appropriated.	No	Not corrected and reissued as Finding Number 2004-003.
2002-003	Failure to budget for Issue II projects in accordance with Audit bulletin 2002-004.	Yes	
2002-004	ORC 5705.41(D) Failure to certify the availability of funds prior to incurring the obligations.	No	Not corrected and reissued as Finding Number 2004-001.





**Auditor of State  
Betty Montgomery**

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  
MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2005**