

**PERRY TOWNSHIP
LAKE COUNTY**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**



Dave Yost • Auditor of State

Board of Trustees
Perry Township
3740 Center Road, P.O. Box 65
Perry, Ohio 44081

We have reviewed the *Independent Auditors' Report* of Perry Township, Lake County, prepared by NMS Certified Public Accountants, for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 20, 2013

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**PERRY TOWNSHIP
LAKE COUNTY
FINANCIAL STATEMENTS**

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Independent Auditors' Report

Perry Township
Lake County
3740 Center Rd., PO Box 65
Perry, OH 44081

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Perry Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2012 and December 31, 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

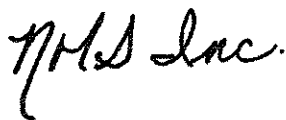
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Perry Township, Lake County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Perry Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Mentor, Ohio
June 24, 2013

**PERRY TOWNSHIP
LAKE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General | Special Revenue | Debt Service | Capital Projects | Permanent | Total (Memorandum Only) |
|--|------------------|--------------------|-----------------|---------------------|-----------|-------------------------------|
| Cash Receipts | | | | | | |
| Local Taxes | \$ 553,738 | \$ 339,148 | \$ - | \$ - | \$ - | \$ 892,886 |
| Intergovernmental | 518,897 | 200,619 | - | 25,212 | - | 744,728 |
| Special Assessments | - | 29,020 | 100,214 | 1,204 | - | 130,438 |
| Licenses, Permits, and Fees | 60,612 | 65,525 | - | - | - | 126,137 |
| Fines, Forfeitures, and Penalties | - | - | - | - | - | - |
| Earnings on Investments | 5,636 | 1,738 | (8,133) | - | 48 | (711) |
| Other Revenue | 194,084 | 19,315 | - | 1,296 | - | 214,695 |
| Total Cash Receipts | 1,332,967 | 655,365 | 92,081 | 27,712 | 48 | 2,108,173 |
| Cash Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 945,745 | 36,543 | - | - | - | 982,288 |
| Public Works | 10,564 | 475,494 | - | - | - | 486,058 |
| Health | 190,978 | 11,305 | - | - | 43 | 202,326 |
| Conservation - Recreation | 143,669 | 29,047 | - | - | - | 172,716 |
| Miscellaneous | 630 | 5,983 | - | - | - | 6,613 |
| Debt Service: | | | | | | |
| Redemption of Principal | - | - | 155,918 | - | - | 155,918 |
| Interest and Fiscal Charges | - | - | 16,663 | - | - | 16,663 |
| Capital Outlay | 170 | 31,237 | - | 43,814 | - | 75,221 |
| Total Cash Disbursements | 1,291,756 | 589,609 | 172,581 | 43,814 | 43 | 2,097,803 |
| Excess of Receipts Over (Under) Disbursements | 41,211 | 65,756 | (80,500) | (16,102) | 5 | 10,370 |
| Other Financing Receipts (Disbursements): | | | | | | |
| Transfers In | - | - | - | 250,000 | - | 250,000 |
| Transfers Out | (250,000) | - | - | - | - | (250,000) |
| Total Other Financing Receipts (Disbursements) | (250,000) | - | - | 250,000 | - | - |
| Net Change in Fund Cash Balances | (208,789) | 65,756 | (80,500) | 233,898 | 5 | 10,370 |
| Fund Cash Balances- January 1, 2012 | 1,786,262 | 346,271 | 116,183 | 93,842 | 15,368 | 2,357,926 |
| Fund Cash Balances - December 31, | | | | | | |
| Nonspendable | - | - | - | - | 15,225 | 15,225 |
| Restricted | 9,751 | 206,947 | 35,683 | 327,740 | 148 | 580,269 |
| Committed | - | 205,200 | - | - | - | 205,200 |
| Assigned | 25,000 | - | - | - | - | 25,000 |
| Unassigned | 1,542,722 | - | - | - | - | 1,542,722 |
| Fund Cash Balances - December 31, 2012 | \$ 1,577,473 | \$ 412,027 | \$ 35,683 | \$ 327,740 | \$ 15,373 | \$ 2,368,296 |

The accompanying notes are an integral part of this statement.

PERRY TOWNSHIP
LAKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
DECEMBER 31, 2012

| | Agency |
|--|---------------|
| Operating cash disbursements: | |
| Miscellaneous | \$ 18,645 |
| Contractual services | 1,698,932 |
| Total operating cash disbursements | 1,717,577 |
| Operating loss | (1,717,577) |
| Non-operating cash receipts: | |
| Local taxes | 1,563,929 |
| Intergovernmental | 153,648 |
| Total non-operating cash receipts | 1,717,577 |
| Net receipts over disbursements | - |
| Fund Cash Balance - January 1, 2012 | - |
| Fund Cash Balances - December 31, 2012 | \$ - |

The accompanying notes are an integral part of this statement.

**PERRY TOWNSHIP
LAKE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General | Special Revenue | Debt Service | Capital Projects | Permanent | Total (Memorandum Only) |
|--|------------------|--------------------|-----------------|---------------------|-----------|-------------------------------|
| Cash Receipts | | | | | | |
| Local Taxes | \$ 542,176 | \$ 344,004 | \$ - | \$ - | \$ - | \$ 886,180 |
| Intergovernmental | 566,058 | 207,282 | - | 75,212 | - | 848,552 |
| Special Assessments | - | 29,563 | 103,733 | 1,524 | - | 134,820 |
| Licenses, Permits, and Fees | 57,223 | 66,714 | - | - | - | 123,937 |
| Fines, Forfeitures, and Penalties | 25 | - | - | - | - | 25 |
| Earnings on Investments | 9,953 | 255 | - | - | 40 | 10,248 |
| Other Revenue | 177,356 | 10,881 | - | 5,880 | - | 194,117 |
| Total Cash Receipts | 1,352,791 | 658,699 | 103,733 | 82,616 | 40 | 2,197,879 |
| Cash Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 950,572 | 38,079 | - | - | - | 988,651 |
| Public Works | 10,885 | 638,321 | - | - | - | 649,206 |
| Health | 261,816 | 8,576 | - | - | 45 | 270,437 |
| Conservation - Recreation | 80,712 | 31,372 | - | - | - | 112,084 |
| Miscellaneous | 887 | 6,724 | - | - | - | 7,611 |
| Debt Service: | | | | | | |
| Redemption of Principal | - | - | 151,929 | - | - | 151,929 |
| Interest and Fiscal Charges | - | - | 23,602 | - | - | 23,602 |
| Capital Outlay | 365 | 31,736 | - | 232,781 | - | 264,882 |
| Total Cash Disbursements | 1,305,237 | 754,808 | 175,531 | 232,781 | 45 | 2,468,402 |
| Excess of Receipts Over (Under) Disbursements | 47,554 | (96,109) | (71,798) | (150,165) | (5) | (270,523) |
| Other Financing Receipts (Disbursements): | | | | | | |
| Transfers In | 647,138 | - | - | - | - | 647,138 |
| Transfers Out | - | - | - | (647,138) | - | (647,138) |
| Total Other Financing Receipts (Disbursements) | 647,138 | - | - | (647,138) | - | - |
| Net Change in Fund Cash Balances | 694,692 | (96,109) | (71,798) | (797,303) | (5) | (270,523) |
| Fund Cash Balances- January 1, 2011 | 1,091,570 | 442,380 | 187,981 | 891,145 | 15,373 | 2,628,449 |
| Fund Cash Balances - December 31 | | | | | | |
| Nonspendable | - | - | - | - | 15,225 | 15,225 |
| Restricted | 9,741 | 201,494 | 116,183 | 93,842 | 143 | 421,403 |
| Committed | - | 144,896 | - | - | - | 144,896 |
| Assigned | 694 | - | - | - | - | 694 |
| Unassigned | 1,775,827 | - | - | - | - | 1,775,827 |
| Fund Cash Balances - December 31, 2011 | \$ 1,786,262 | \$ 346,271 | \$ 116,183 | \$ 93,842 | \$ 15,368 | \$ 2,357,926 |

The accompanying notes are an integral part of this statement.

PERRY TOWNSHIP
LAKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
DECEMBER 31, 2011

| | Agency |
|--|---------------|
| Operating cash disbursements: | |
| Miscellaneous | \$ 19,917 |
| Contractual services | 2,335,976 |
| Total operating cash disbursements | 2,355,893 |
| Operating loss | (2,355,893) |
| Non-operating cash receipts: | |
| Local taxes | 1,495,222 |
| Intergovernmental | 860,665 |
| Total non-operating cash receipts | 2,355,887 |
| Net receipts over disbursements | (6) |
| Fund Cash Balance - January 1, 2011 | 6 |
| Fund Cash Balances - December 31, 2011 | \$ - |

The accompanying notes are an integral part of this statement.

**PERRY TOWNSHIP
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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, Lake County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and cemetery maintenance.

The Township participates in one jointly governed organization and one public entity risk pool. Note 8 to the financial statements provides additional information for the public entity risk pool. These organizations are:

Jointly Governed Organizations: The Perry Joint Fire District is a joint venture between Perry Township, the Village of Perry, and North Perry Village. The District is directed by an appointed six-member Board of Trustees. Two board members are appointed by each political subdivision within the District of which one member is required to be an elected official from each entity.

Public Entity Risk Pool: The Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage to its members.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Township values certificates of deposit at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values the mutual fund reports.

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:

**PERRY TOWNSHIP
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

1. General Fund

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

2. Special Revenue Fund

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

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond Retirement/Community Center Fund - This fund receives special assessments for the repayment of the Township's debt issuances.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Township Building Construction Fund - The Township receives intergovernmental/special assessments funding for the acquisition or construction of capital assets.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

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

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. The Township does not have any private purpose trust funds.

**PERRY TOWNSHIP
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Township disburses these funds as directed by the individuals, organizations, or other governments. The Township had the following significant agency funds:

Library Levy Fund - This fund receives local taxes and intergovernmental revenue earmarked for the Perry Public Library.

Fire Levy Fund - This fund receives local taxes and intergovernmental revenue earmarked for the Perry Joint Fire District.

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 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 commitments are made. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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

**PERRY TOWNSHIP
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**PERRY TOWNSHIP
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2011, the Township has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this Statement resulted in no changes to fund balances at December 31, 2010, as previously reported.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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:

| | | |
|--------------------------------|---------------------|---------------------|
| | <u>2012</u> | <u>2011</u> |
| Demand deposits | \$ 2,213,821 | \$ 184,571 |
| Certificates of deposit | <u>154,475</u> | <u>2,173,355</u> |
| Total deposits and investments | <u>\$ 2,368,296</u> | <u>\$ 2,357,926</u> |

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-------------------|
| General | \$ 1,126,898 | \$ 1,332,967 | \$ 206,069 |
| Special Revenue | 604,328 | 655,365 | 51,037 |
| Debt Service | 93,361 | 92,081 | (1,280) |
| Capital Projects | 250,000 | 277,712 | 27,712 |
| Permanent | <u>1,100</u> | <u>48</u> | <u>(1,052)</u> |
| Total | <u>\$ 2,075,687</u> | <u>\$ 2,358,173</u> | <u>\$ 282,486</u> |

**PERRY TOWNSHIP
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

4. BUDGETARY ACTIVITY (CONTINUED)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General | \$ 1,812,887 | \$ 1,541,756 | \$ 271,131 |
| Special Revenue | 709,556 | 589,609 | 119,947 |
| Debt Service | 179,361 | 172,581 | 6,780 |
| Capital Projects | 343,841 | 43,814 | 300,027 |
| Permanent | 3,600 | 43 | 3,557 |
| Total | <u>\$ 3,049,245</u> | <u>\$ 2,347,803</u> | <u>\$ 701,442</u> |

2011 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-------------------|
| General | \$ 1,303,268 | \$ 1,999,929 | 696,661 |
| Special Revenue | 734,693 | 658,699 | (75,994) |
| Debt Service | 93,361 | 103,733 | 10,372 |
| Capital Projects | 78,150 | 82,616 | 4,466 |
| Permanent | 1,100 | 40 | (1,060) |
| Total | <u>\$ 2,210,572</u> | <u>\$ 2,845,017</u> | <u>\$ 634,445</u> |

2011 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General | \$ 1,392,608 | \$ 1,305,237 | \$ 87,371 |
| Special Revenue | 852,229 | 754,808 | 97,421 |
| Debt Service | 179,351 | 175,531 | 3,820 |
| Capital Projects | 973,761 | 879,919 | 93,842 |
| Permanent | 3,600 | 45 | 3,555 |
| Total | <u>\$ 3,401,549</u> | <u>\$ 3,115,540</u> | <u>\$ 286,009</u> |

5. PROPERTY TAX

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

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

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

**PERRY TOWNSHIP
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

| | Principal | Rate |
|-----------------------------|-------------------|-------|
| Lane Road Improvement Bonds | \$ 90,101 | 4.81% |
| Community Center | <u>150,000</u> | 4.00% |
| | <u>\$ 240,101</u> | |

The Township issued general obligation bonds to refinance the Lane Road debt and to finance the Community Center.

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

| Year ending December 31: | <u>Community Center</u> | <u>Lane Road Bond</u> |
|--------------------------|-------------------------|-----------------------|
| 2013 | \$ 81,300 | \$ 93,351 |
| 2014 | <u>78,150</u> | <u>-0-</u> |
| Total | <u>\$ 159,450</u> | <u>\$ 93,351</u> |

7. RETIREMENT SYSTEMS

The Township employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2011 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

7. RISK MANAGEMENT (CONTINUED)

Casualty Coverage and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$ 350,000 for casualty claims and \$ 150,000 for property claims.

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

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, 2011 and 2010 (the latest information available):

| | | |
|-------------------|----------------------|----------------------|
| | <u>2011</u> | <u>2010</u> |
| Assets | \$ 35,086,165 | \$ 35,855,252 |
| Liabilities | <u>(9,718,792)</u> | <u>(10,664,724)</u> |
| Retained earnings | <u>\$ 25,367,373</u> | <u>\$ 25,190,528</u> |

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$ 9.1 million and \$ 9.9 million of estimated incurred claims payable. The assets above also include approximately \$ 8.6 million and \$ 9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011 The Township's share of these unpaid claims is approximately \$ 44,122.

Based on the discussions with OTARMA, the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

| | | |
|----|-------------|-------------|
| | <u>2012</u> | <u>2011</u> |
| \$ | 21,585 | \$ 22,061 |

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

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by Government Auditing Standards**

Perry Township
Lake County
3740 Center Rd., PO Box 65
Perry, OH 44081

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Perry Township, Lake County, Ohio (the Township) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117.2-03 permit, described in Note 1. We also noted the Township, in 2011, adopted Government Accounting Standard No. 54.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting, in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose Of This Report

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

A handwritten signature in black ink that reads "NMS Inc." with a stylized, cursive font.

Mentor, Ohio
June 24, 2013

PERRY TOWNSHIP
LAKE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

| Finding Number | Finding Summary | Fully Corrected? | Not corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2010-001 | Material Weakness – Proper cutoff of disbursements and reconciling cash: checks written subsequent to year end were erroneously included as outstanding checks and recorded as disbursements at December 31, 2010. | Yes | Finding no longer valid. |



Dave Yost • Auditor of State

PERRY TOWNSHIP

LAKE 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
OCTOBER 3, 2013**