

**PERRY TOWNSHIP  
LAKE COUNTY**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009**





# 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 Neece, Malec, Seifert, & Vitaz, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost  
Auditor of State

January 17, 2012

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**PERRY TOWNSHIP  
LAKE COUNTY  
FINANCIAL STATEMENTS**

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Certified Public Accountants

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### Independent Auditors' Report

To the Board of Trustees  
Perry Township  
Lake County  
3740 Center Rd., PO Box 65  
Perry, OH 44081

We have audited the accompanying financial statements of Perry Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2010 and December 31, 2009. 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' *Governmental 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. We believe that our audit provides a reasonable basis for our opinions.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

To the Board of Trustees  
Perry Township  
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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, Lake County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 21, 2011, 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.

A handwritten signature in cursive script, reading "Neece Melic Seibert & Vitez". The signature is written in dark ink and is positioned to the right of the main body of text.

Mentor, Ohio  
October 21, 2011



PERRY TOWNSHIP  
LAKE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types					Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts</b>						
Local Taxes	\$ 563,249	\$ 362,196	\$ -	\$ -	\$ -	\$ 925,445
Intergovernmental	547,402	575,527	-	30,158	-	1,153,087
Special Assessments	-	28,079	96,099	22,549	-	146,727
Licenses, Permits, and Fees	47,008	51,210	-	-	-	98,218
Fines, Forfeitures, and Penalties	110	-	-	-	-	110
Earnings on Investments	18,728	(5,312)	-	-	56	13,472
Other Revenue	219,459	13,684	-	937	-	234,080
<b>Total Cash Receipts</b>	<b>1,395,956</b>	<b>1,025,384</b>	<b>96,099</b>	<b>53,644</b>	<b>56</b>	<b>2,571,139</b>
<b>Cash Disbursements</b>						
Current:						
General Government	1,579,261	45,066	-	-	-	1,624,327
Public Works	11,742	830,487	-	-	-	842,229
Health	304,750	5,327	-	-	-	310,077
Conservation - Recreation	79,512	28,239	-	-	-	107,751
Miscellaneous	842	6,666	-	-	(38)	7,470
Debt Service:						
Redemption of Principal	-	-	143,125	-	-	143,125
Interest and Fiscal Charges	-	-	30,136	-	-	30,136
Capital Outlay	-	32,744	-	204,697	-	237,441
<b>Total Cash Disbursements</b>	<b>1,976,107</b>	<b>948,529</b>	<b>173,261</b>	<b>204,697</b>	<b>(38)</b>	<b>3,302,556</b>
<b>Total Receipts Over (Under) Disbursements</b>	<b>(580,151)</b>	<b>76,855</b>	<b>(77,162)</b>	<b>(151,053)</b>	<b>94</b>	<b>(731,417)</b>
<b>Other Financing Receipts (Disbursements):</b>						
Transfers In	-	35,000	-	-	-	35,000
Transfers Out	(35,000)	-	-	-	-	(35,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(35,000)</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(615,151)</b>	<b>111,855</b>	<b>(77,162)</b>	<b>(151,053)</b>	<b>94</b>	<b>(731,417)</b>
<b>Fund Cash Balances - January 1, 2010</b>	<b>1,706,721</b>	<b>330,525</b>	<b>265,143</b>	<b>1,042,198</b>	<b>15,279</b>	<b>3,359,866</b>
<b>Fund Cash Balances - December 31, 2010</b>	<b>\$ 1,091,570</b>	<b>\$ 442,380</b>	<b>\$ 187,981</b>	<b>\$ 891,145</b>	<b>\$ 15,373</b>	<b>\$ 2,628,449</b>
<b>Reserve for Encumbrances - December 31, 2010</b>	<b>\$ 281</b>	<b>\$ 10,755</b>	<b>\$ -</b>	<b>\$ 162,605</b>	<b>\$ -</b>	<b>\$ 173,641</b>

The accompanying notes are an integral part of the basic financial statements.

**PERRY TOWNSHIP**  
**LAKE COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**FIDUCIARY FUND TYPE**  
**DECEMBER 31, 2010**

	<u>Agency</u>
Operating cash disbursements:	
Miscellaneous	\$ 17,026
Contractual services	2,478,075
Total operating cash disbursements	2,495,101
Operating loss	(2,495,101)
Non-operating cash receipts:	
Local taxes	1,576,249
Intergovernmental	918,855
Total non-operating cash receipts	2,495,104
Net receipts over disbursements	3
Fund Cash Balance - January 1, 2010	3
Fund Balances - December 31, 2010	\$ 6

The accompanying notes are an integral part of the basic financial statements.

**PERRY TOWNSHIP  
LAKE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types					Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts</b>						
Local Taxes	\$ 571,850	\$ 385,589	\$ -	\$ -	\$ -	\$ 957,439
Intergovernmental	690,346	215,112	-	125,000	-	1,030,458
Special Assessments	-	28,749	93,665	24,351	-	146,765
Licenses, Permits, and Fees	47,552	59,150	-	-	-	106,702
Fines, Forfeitures, and Penalties	193	-	-	-	-	193
Earnings on Investments	41,685	2,384	-	-	181	44,250
Other Revenue	251,153	7,982	-	1,505	-	260,640
<b>Total Cash Receipts</b>	<b>1,602,779</b>	<b>698,966</b>	<b>93,665</b>	<b>150,856</b>	<b>181</b>	<b>2,546,447</b>
<b>Cash Disbursements</b>						
<b>Current:</b>						
General Government	1,013,428	51,665	-	-	-	1,065,093
Public Works	35,554	550,190	-	-	-	585,744
Health	308,088	760	-	-	413	309,261
Conservation - Recreation	114,123	36,048	-	-	-	150,171
Miscellaneous	484	6,140	-	-	-	6,624
<b>Debt Service:</b>						
Redemption of Principal	-	-	139,498	-	-	139,498
Interest and Fiscal Charges	-	-	36,493	-	-	36,493
Capital Outlay	77	30,968	-	500,245	-	531,290
<b>Total Cash Disbursements</b>	<b>1,471,754</b>	<b>675,771</b>	<b>175,991</b>	<b>500,245</b>	<b>413</b>	<b>2,824,174</b>
<b>Total Receipts Over (Under)</b>						
Disbursements	131,025	23,195	(82,326)	(349,389)	(232)	(277,727)
<b>Other Financing Receipts (Disbursements):</b>						
Transfers In	-	25,000	-	-	-	25,000
Transfers Out	(25,000)	-	-	-	-	(25,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(25,000)</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>106,025</b>	<b>48,195</b>	<b>(82,326)</b>	<b>(349,389)</b>	<b>(232)</b>	<b>(277,727)</b>
<b>Fund Cash Balances - January 1, 2009</b>	<b>1,600,696</b>	<b>282,330</b>	<b>347,469</b>	<b>1,391,587</b>	<b>15,511</b>	<b>3,637,593</b>
<b>Fund Cash Balances - December 31, 2009</b>	<b>\$ 1,706,721</b>	<b>\$ 330,525</b>	<b>\$ 265,143</b>	<b>\$ 1,042,198</b>	<b>\$ 15,279</b>	<b>\$ 3,359,866</b>
<b>Reserve for Encumbrances - December 31, 2009</b>	<b>\$ 10,119</b>	<b>\$ 23,241</b>	<b>\$ -</b>	<b>\$ 72,981</b>	<b>\$ -</b>	<b>\$ 106,341</b>

The accompanying notes are an integral part of the basic financial statements.

**PERRY TOWNSHIP**  
**LAKE COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**FIDUCIARY FUND TYPE**  
**DECEMBER 31, 2009**

	<b>Agency</b>
Operating cash disbursements:	
Miscellaneous	\$ 24,637
Contractual services	3,544,655
Total operating cash disbursements	3,569,292
Operating loss	(3,569,292)
Non-operating cash receipts:	
Local taxes	2,708,850
Intergovernmental	860,442
Total non-operating cash receipts	3,569,292
Net receipts over disbursements	-
Fund Cash Balance - January 1, 2009	3
Fund Balances - December 31, 2009	\$ 3

The accompanying notes are an integral part of the basic financial statements.

**PERRY TOWNSHIP  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**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 receives fire protection and emergency medical services from the Perry Joint Fire District. 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.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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. Cash 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:

**1. General Fund**

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

**PERRY TOWNSHIP  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

**D. Fund Accounting (Continued)**

**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, 2010 AND 2009**

**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 office, department, and division, and within each fund, the amount for personal services 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 carried over, and need not be re-appropriated.

A summary of 2010 and 2009 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  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**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 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>2010</u>	<u>2009</u>
Demand deposits	\$ 21,401	\$ 10,332
Certificates of deposit	<u>2,607,054</u>	<u>1,782,600</u>
Total deposits	2,628,455	1,792,932
Investments		
STAR Ohio	<u>-</u>	<u>1,566,937</u>
Total deposits and investments	<u>\$ 2,628,455</u>	<u>\$ 3,359,869</u>

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Credit Risk:** The Township's investments with STAR Ohio were rated AAA by Standard & Poors.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,246,557	\$ 1,395,956	\$ 149,399
Special Revenue	1,065,969	1,060,384	(5,585)
Debt Service	93,361	96,099	2,738
Capital Projects	865,000	53,644	(811,356)
Permanent	<u>1,100</u>	<u>56</u>	<u>(1,044)</u>
Total	<u>\$ 3,271,987</u>	<u>\$ 2,606,139</u>	<u>\$ (665,848)</u>



**PERRY TOWNSHIP  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**3. BUDGETARY ACTIVITY (CONTINUED)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,193,083	\$ 2,011,388	\$ 181,695
Special Revenue	1,102,405	959,284	143,121
Debt Service	179,351	173,261	6,090
Capital Projects	722,981	367,302	405,679
Permanent	3,600	(38)	3,638
Total	<u>\$4,251,420</u>	<u>\$3,511,197</u>	<u>\$ 740,223</u>

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,287,795	\$ 1,602,779	\$ 314,984
Special Revenue	1,031,693	723,966	(307,727)
Debt Service	93,361	93,665	304
Capital Projects	725,000	150,856	(574,144)
Permanent	1,100	181	(919)
Total	<u>\$ 3,138,949</u>	<u>\$ 2,571,447</u>	<u>\$ (567,502)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,222,289	\$1,506,873	\$ 715,416
Special Revenue	807,367	699,012	108,355
Debt Service	178,511	175,991	2,520
Capital Projects	684,632	573,226	111,406
Permanent	3,600	413	3,187
Total	<u>\$ 3,896,399</u>	<u>\$ 2,955,515</u>	<u>\$ 940,884</u>

**4. PROPERTY TAX**

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

**PERRY TOWNSHIP  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**4. PROPERTY TAX (CONTINUED)**

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.

**5. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Rate
Lane Road Improvement Bonds	\$257,948	4.81%
Community Center	<u>290,000</u>	4.00%
	<u>\$547,948</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:

	<u>Community Center</u>	<u>Lane Road Bond</u>
Year ending December 31:		
2011	\$ 82,180	\$ 93,351
2012	79,240	93,351
2013	81,300	93,351
2014	<u>78,150</u>	<u>-</u>
Total	<u>\$ 320,870</u>	<u>\$ 280,053</u>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2010, 2009 and 2008, OPERS members contributed 10%, 10%, and 10%, respectively, of their gross salaries and the Township contributed an amount equally 14%, 14%, and 14%, respectively, of participants' gross salaries. The Township's required contributions for pension obligations to the plan for the years ended December 31, 2010, 2009, and 2008 were \$ 73,783, \$ 79,947, and \$ 77,971, respectively; the full amount has been contributed for 2010, 2009, and 2008.

**PERRY TOWNSHIP  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**7. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2009, the Township contracted with 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. 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.

*Casualty Coverage*

For an occurrence prior to January 1, 2006, OTARMA retains casualty risk up to \$ 250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$ 350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$ 350,000 are reinsured with APEEP in an amount not to exceed \$ 2,650,000 for each claim and \$ 10,000,000 in the aggregate per year. Governments can elect up to \$ 13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$ 5,000,000 per year, subject to the annual aggregate limit of \$ 10,000,000.

*Property Coverage*

The Travelers Indemnity Company reinsures specific losses exceeding \$ 500,000 up to \$ 600,000,000 per occurrence. APEEP reinsures members for specific loss exceeding \$ 150,000 up to \$ 500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of the Pool's retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$ 600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$ 50,000 excess \$ 100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

*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, 2010 and 2009:

**PERRY TOWNSHIP  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**7. RISK MANAGEMENT**

*Financial Position (Continued)*

	<u>2010</u>	<u>2009</u>
Assets	\$ 35,855,252	\$ 38,982,088
Liabilities	<u>10,664,724</u>	<u>12,880,766</u>
Retained earnings	<u>\$ 25,190,528</u>	<u>\$ 26,101,322</u>

At December 31, 2010 and 2009, respectively, liabilities noted above include approximately \$ 9.9 million and \$ 12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$ 9.5 million and \$ 11.5 million of unpaid claims to be billed to 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$ 37,208.

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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2010, 2009 and 2008 were \$ 18,514, \$ 14,571, and \$ 18,186, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA sixty days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.



Certified Public Accountants

www.neececpa.com

**Independent Accountants' 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 the financial statements of the Perry Township, Lake County, Ohio (the Township) as of and for the years ended December 31, 2010 and December 31, 2009, and have issued our report thereon dated October 21, 2011, 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 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 as a basis for designing our auditing procedures for the expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies of material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

We noted certain matters that we reported to the Township's management in a separate letter dated October 21, 2011.

### 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated October 21, 2011.

This report is intended solely for the information and use of management, Township Trustees, and others within the Township. We intend it for no one other than these specified parties.

*Dee Dee Molec Seifert & Vitay*

Mentor, Ohio  
October 21, 2011

**PERRY TOWNSHIP  
LAKE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Material Weakness**

**Proper Cutoff of Disbursements and Reconciling Cash:**

The testing of the December 31, 2010 cash reconciliation revealed that checks written subsequent to year end were erroneously included as outstanding checks and recorded as disbursements in the amount of \$95,275.00. The cash balances and disbursements were subsequently adjusted in accordance with the cash basis of accounting as an audit adjustment. The Township should review the reconciliations for proper cutoff of disbursements and recording in the correct fiscal year.

**Client Response:** The Township objects to this finding as the payroll and bill checks in question, specifically the payroll checks that were written with the December 31, 2010 date for negotiation on January 7, 2011 were payroll elements that were dictated to be included in December 2010's work by the Ohio Public Employees' Retirement System. This matter will be referred to the Local Government Services Department of the State Auditor's Office for direction in the future.

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# 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  
JANUARY 31, 2012